JDI Japan Display Inc.

Japan Display Announces Structural Reforms and the Recording of an Extraordinary Loss on Structural Reforms

TOKYO, Japan, March 16, 2016 – Japan Display Inc. ("JDI") today announced that it will implement a program of structural reforms that was approved at a meeting of the Board of Directors held on March 16. An extraordinary loss based on these reforms will be recorded in the FY 2015 (April 1, 2015 to March 31, 2016) consolidated financial accounting period.

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1. Reasons for structural reform

JDI operates in the small-medium display industry. This industry, in particular the market for the company's leading product area, displays for smartphones, is becoming increasingly competitive. In addition this market is characterized by seasonal demand, which leads to extreme earnings volatility on a financial quarterly basis.

Given this situation JDI is working to transition to a business structure that can achieve earnings that are less influenced by conditions in the business environment. Since July 2015 the company's new management leadership team has been focused on reducing manufacturing costs and fixed costs and on lowering the break-even point. However, in light of the expected business environment, JDI's capital investment strategy and other factors the company has determined that further strengthening of its business structure is necessary. By implementing structural reforms to reduce fixed costs and achieve more efficient use of resources JDI believes it can further lower its manufacturing costs and increase its earnings power.
At the same time JDI is making changes to its business structure, including a redesign of its business portfolio.

2. Overview of structural reform

(1) Partial closure of front-end production (small-medium size liquid crystal panel manufacturing) lines in Japan

Among its four manufacturing sites in Japan JDI operates liquid crystal panel production lines that use mother glass substrates ranging from a relatively small G3.5 glass (size: 600mm x 720mm) up to a G6 glass (size: 1,500mm x 1,850mm), which is the largest glass in the industry used for LTPS TFT technology. As part of the structural reforms JDI will terminate production at two economically unproductive older generation manufacturing lines while retaining related property and equipment facilities.

Closure of front-end production lines:
(a) Mobara Plant: G4.5 line (a-Si and LTPS technology)
Location: Mobara City, Chiba Prefecture
Closure date: December 2016 (planned)
(b) Higashiura Plant: A partial section of the G3.5 line (LTPS technology)
Location: Higashiura, Chita District, Aichi Prefecture,
Closure date: April 2016 (planned)

(2) Restructuring of back-end production lines overseas

In order to streamline its China-based back-end manufacturing operations JDI has been exploring the possibility of consolidating (including partial sale of) its China manufacturing subsidiaries. For the present an impairment loss will be recorded concerning assets that have been in operation at a low utilization rate. JDI will continue to explore options for consolidating its back-end production lines.

(3) Introduction of an early retirement support program

In order to achieve an optimized company age structure and revitalize the organization JDI will introduce an early retirement support program aimed at Japan-based company employees age 45 and above who meet certain conditions.

Employees who select early retirement using this program will receive a special retirement payment in addition to a retirement package under the company's regulations for retirement. Also re-employment assistance will be provided to those employees who request it.

3. Outlook

JDI estimates that the cost of the above-described discontinuance of front-end production lines and the recording of an impairment loss on back-end production assets will amount to approximately 14 billion yen, to be taken as an extraordinary loss in FY 2016. On the other hand these structural reforms are at present anticipated to deliver fixed-cost savings of around 17 billion yen annually (about 8 billion yen in FY 2016). These financial sums are based on information JDI currently has in hand but actual amounts may differ in accordance with continued careful inspection of cost issues.

JDI provides financial forecasts only for consolidated net sales and operating income for the full financial year because large foreign exchange losses or gains which may be generated by the evaluation of JDI’s monetary assets and liabilities denominated in foreign currencies as of the last day of each financial period may preclude accurate financial predictions. When consolidated ordinary income and net income estimates for FY 2015 that include the impact of the above mentioned extraordinary loss become available the company will disclose that information as soon as possible.

By undertaking the above-described structural reforms JDI is aiming to lower fixed costs and is continuing without interruption operating cost reductions already underway. The company is also pressing forward with business restructuring measures as early as possible and making additional efforts to create a strong earnings structure.

<Reference>
Financial forecast for FY 2015

	12 mo. ending March 31, 2016 (Million yen)	YoY Change (%)
Net Sales	1,003,000	+30.4
Operating income	22,000	+327.4

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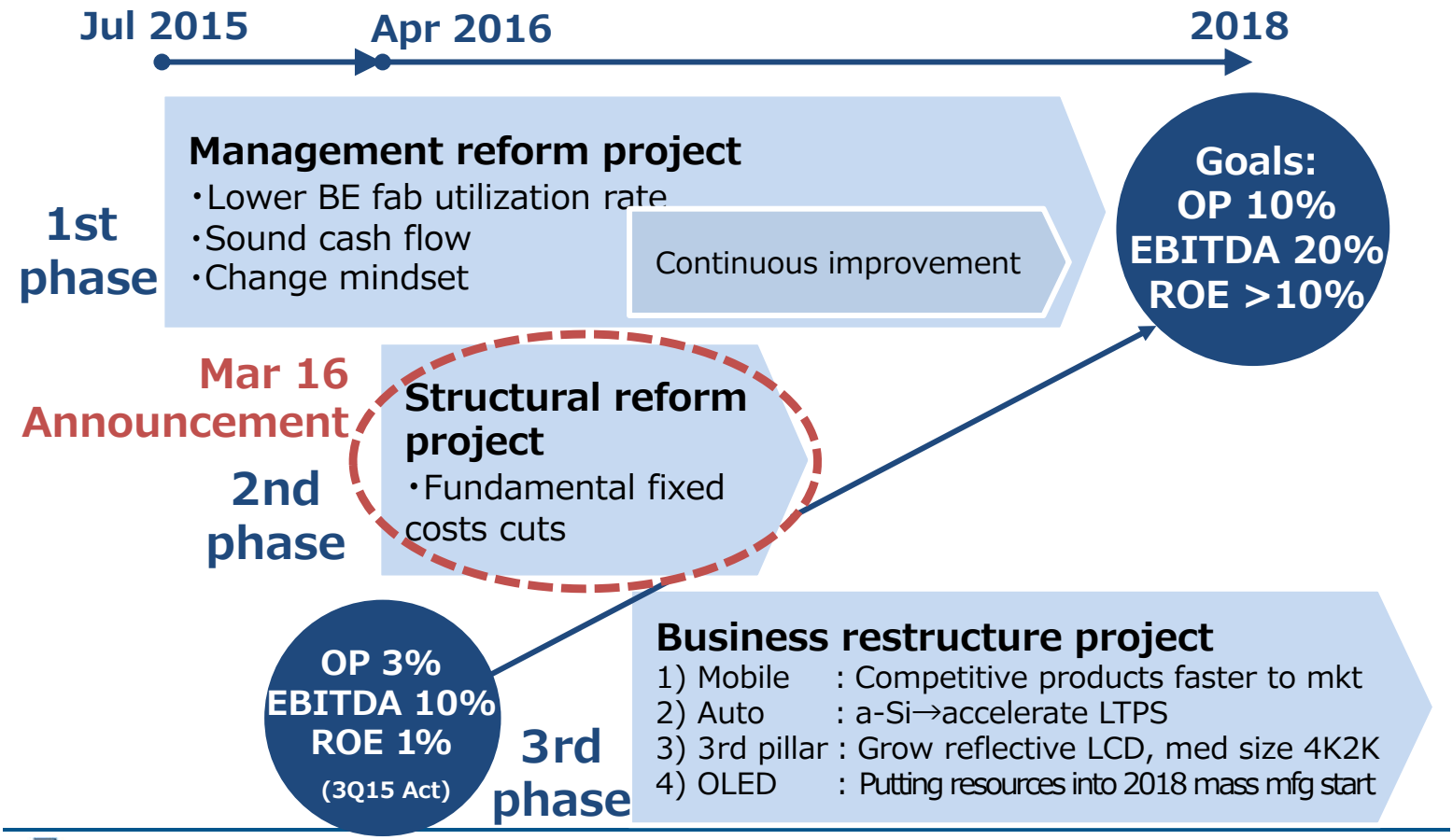
JDI's Structural Reform

March 16, 2016

Japan Display Inc.

Stable Operating Base (Growth Strategy) ~from 3Q-FY15 earnings data~



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Reasons for Structural Reform

Mobile business environment

Market	• Expansion of high-res display mkt continues • Growing mkt for mid-price smartphones (significant emerging mkt growth) • Price decline trend continues
Custo-mers	• High seasonal demand volatility • Growing interest in OLED
Competi-tion	• Intensifying competition (in-cell, OLED) • Start of China/Taiwan LTPS G6 mass mfg
JDI	• China mkt share down • Hakusan fab fixed costs to accrue (June 2016: Start of mass mfg) • Greater investment in new technology • Better profitability/B-E line operating rate (Biz reform project result)

- **Structural reform** enables cuts in total fixed costs & greater resource efficiency so as to further reduce mfg costs & increase earnings
- Result: Thus more **investment capabilities for new products & technology and development strength**

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Structural Reform Overview

	Action	Description	FY 2016 extraordinary loss (est)	Fixed-cost benefit
Front-end produc-tion	Highashiura Fab 1 closure	Fab 1 operations discontinued → Apr 2016 closure	**≈¥14bn**	**≈¥17bn/yr** **(FY2016: ≈¥8bn)** *Exploring consolida-tion of back-end production lines and # of employees applying for early-retirement package may affect estimated amounts.
	Mobara V3 Line closure	Operating shutdown in Dec. 2016 after building inventories for particular products		
Back-end produc-tion	Write-down	Partial asset write-down		
	Line consolida-tion	Continue to explore consolidation (incl. sell-off & closure)		
General	Early retirement support	Intro of early-retirement support program for employees age 45+		

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Restructuring of Domestic Front-end Production Lines

・Close economically unproductive older generation lines

Ishikawa Plant LTPS
Ishikawa Site
G4.5



Hakusan Plant LTPS
(Under construction)
G6



Nomi Plant LTPS
G5.5



Tottori Plant a-Si
G4



Mobara Plant LTPS a-Si
G4.5 G6



Line to be closed:
V3 line, G4.5

Higashiura Plant LTPS
G3.5



Line to be closed:
Fab1 (LTPS), G3.5

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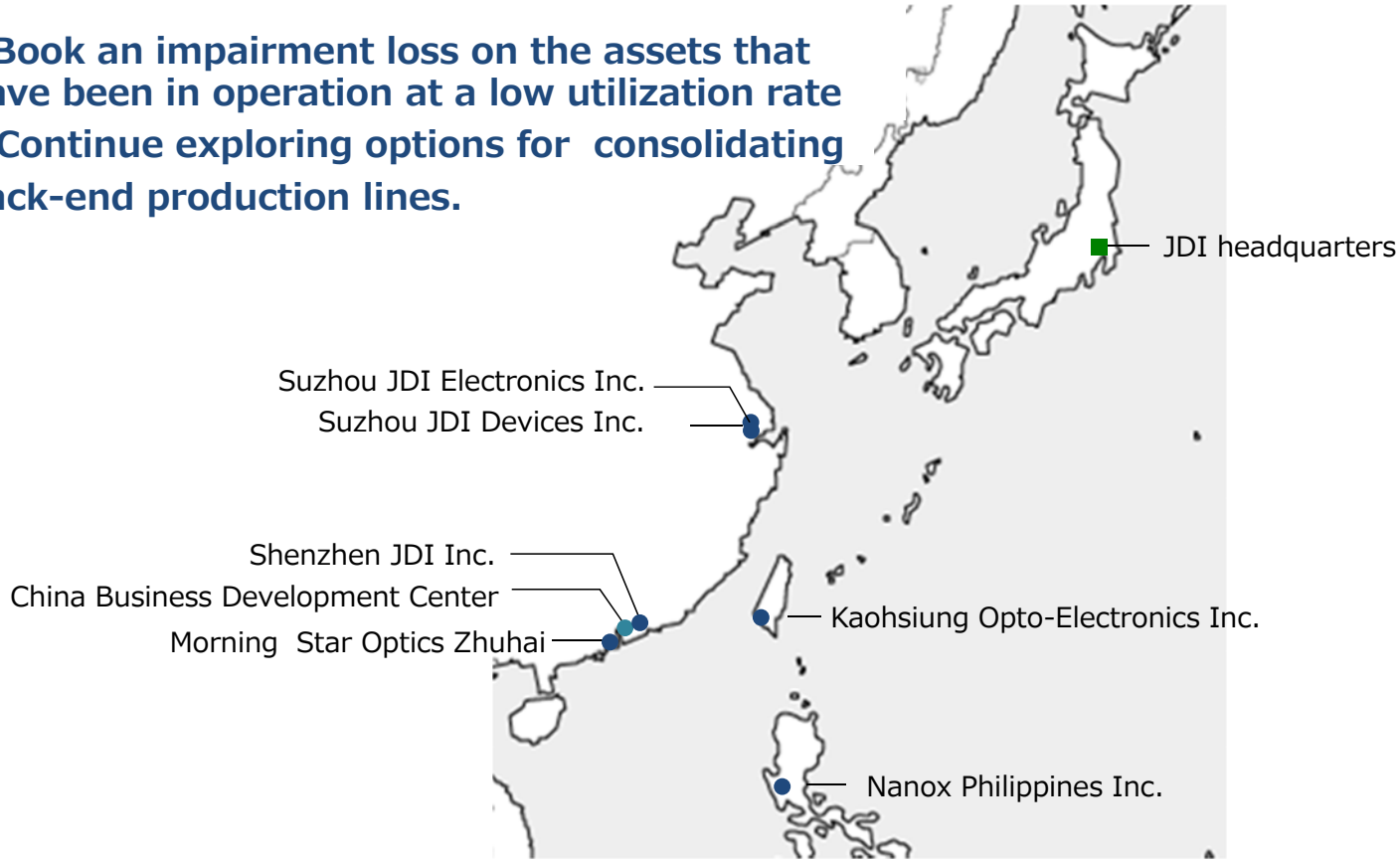
Restructuring of Overseas Back-end Production Lines

・Book an impairment loss on the assets that have been in operation at a low utilization rate

・Continue exploring options for consolidating back-end production lines.



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Stable Operating Base（Growth Strategy）

Jul 2015 — Apr 2016 — 2018

1st phase

Management reform project
- Lower BE fab utilization rate
- Sound cash flow
- Change mindset

Continuous improvement

Goals:
OP 10%
EBITDA 20%
ROE >10%

2nd phase

Structural reform project
- Fundamental fixed costs cuts

Accelerate restructuring

OP 3%
EBITDA 10%
ROE 1%
(3Q15 Act)

3rd phase

Business restructure project
1) Mobile : Competitive products faster to mkt
2) Auto : a-Si→accelerate LTPS
3) 3rd pillar : Grow reflective LCD, med size 4K2K
4) OLED : Putting resources into 2018 mass mfg start

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Actions to Strengthen “3rd Pillar”

・Reorganize mobile/C&I display division to accelerate strengthening smartphone display business and new business development

・Oct 2015～

CEO — COO

- Mobile/C&I display business div
- Advanced display business div
- Automotive display business div

・April 2016～

CEO — COO

- **Mobile display business div**
- Advanced display business div
- Automotive display business div
- **Display solutions business dept**

・Promote sales expansion in smartphone display business in China/emerging mkts

・Early mkt launch of reflective display; promote sales expansion in non-smartphone display mkt



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Forward Looking Statement

Any information related to market trends or industries mentioned in this document is based on information available at present and JDI does not guarantee that this information is accurate or complete.

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