August 9, 2016

Japan Display Inc.

Consolidated Financial Results for the three Months of Fiscal Year 2016
(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)
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Filing of 1Q-FY2016 quarterly securities report: August 9, 2016
Commencement of dividend payments: -
Supplementary materials for the 1Q-FY2016 earnings results: Available
Briefing for 1Q-FY2016 results: August 9, 2016

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

1. Consolidated results of operations for the three months ended June 30, 2016

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

	3 mo. ended Jun. 30, 2016	YoY (%)	3 mo. ended Jun. 30, 2015	YoY (%)
Net sales	174,342	(29.2)	246,129	96.6
Operating income (loss)	(3,411)	-	2,244	-
Ordinary income (loss)	(14,225)	-	(110)	-
Profit (loss) attributable to owners of the parent	(11,772)	-	(461)	-
Net income (loss) per share				
-Basic	(19.57)		(0.77)	-
-Diluted	-		-	-
(Reference) Comprehensive income (loss)	(16,451)	-	1,264	-

(2) Financial position (Millions of yen, except per share amounts)

	Jun. 30, 2016	Mar. 31, 2016
Total assets	883,300	813,861
Net assets	348,886	365,249
Shareholders’ equity ratio (%)	39.2	44.6
(Reference) Shareholders’ equity	346,644	363,148

2. Dividends

	Jun. 30	Sep. 30	Dec. 31	FY-end	Total
Year ended Mar. 31, 2016	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2017	-				
Year ending Mar. 31, 2017 (forecast)		0.00	-	-	-

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 the amount of the fiscal year-end dividend is not yet determined.

3. Financial forecast

(Millions of yen)

	6 mo. ending Sep. 31, 2016	YoY Chg (%)
Net sales ·····	384,342	(24.3)
Operating income ·····	(2,411)	-

Notes: 1. Changes from the most recently announced earnings forecast: Yes
2. Due to the present difficulty in making reasonably accurate annual forecasts given volatility in demand JDI is only presenting consolidated forecasts for "net sales" and "operating income" for the first six months of FY 2016.

Notes:

(1) Changes to scope of consolidation: None

(2) Adoption of special accounting practices for quarterly consolidated financial statements: Yes
For details please see "(2) Application of special accounting methods to the preparation of quarterly consolidated financial statements" in "2. Summary information (notes)" included among the attachments.

(3) Accounting changes in consolidated financial statements.
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
For details please see "(3) Changes in accounting policies, changes in accounting estimates, retrospective restatements" in "2. Summary information (notes)" included among the attachments.

(4) Number of shares outstanding (common shares)

	Jun. 30, 2016	Mar. 31, 2016
Number of shares outstanding (incl. treasury shares)·····	601,411,900	601,411,900
Number of treasury shares ·····	0	0
	3 mo. ended Jun. 30, 2016	**3 mo. ended Jun. 30, 2015**
Average number of shares outstanding ·····	601,411,900	601,394,417

Note: The treasury stock which is deducted in the calculation of average number of shares outstanding during the period includes the number of JDI shares held by the Trust. (JDI shares held by the Trust in the 3 months ended June 30, 2015: 7,725 shares).

Disclosure related to implementation of quarterly review procedures

This quarterly earnings report is exempt from the consolidated financial statements review procedures set forth in Japan's Financial Instruments and Exchange Law. At the time of disclosure of this earnings report, consolidated financial statements review procedures pursuant to the Financial Instruments and Exchange Law had 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 1Q-FY 2016 (3 months ended June 30, 2016)

Year on year comparison (Millions of yen)

	1Q-FY 2015	1Q-FY 2016	YoY	
			Change	(%)
・ Mobile device category	209,913	140,244	(69,669)	(33.2)
・ Automotive & non-mobile device category[1]	36,215	34,097	(2,118)	(5.8)
Net sales	246,129	174,342	(71,787)	(29.2)
Gross profit	17,863	8,403	(9,460)	(53.0)
Operating income (loss)	2,244	(3,411)	(5,655)	-
Ordinary income (loss)	(110)	(14,225)	(14,115)	-
Profit (loss) attributable to owners of the parent	(461)	(11,772)	(11,311)	-
EBITDA	22,478	14,976	(7,502)	(33.4)

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

Quarter on quarter comparison (Millions of yen)

	4Q-FY 2015	1Q-FY 2016	YoY	
			Change	(%)
・ Mobile device category	140,532	140,244	(288)	(0.2)
・ Automotive & non-mobile device category[1]	35,743	34,097	(1,646)	(4.6)
Net sales	176,275	174,342	(1,933)	(1.1)
Gross profit	8,203	8,403	200	2.4
Operating income (loss)	(7,198)	(3,411)	3,787	-
Ordinary income (loss)	(22,820)	(14,225)	8,595	-
Profit (loss) attributable to owners of the parent	(36,251)	(11,772)	24,479	-
EBITDA	9,850	14,976	5,126	52.0

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

EBITDA is not one of the subject matters audited (quarterly review) pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

In the first quarter of FY 2016 the small-medium display market experienced moderate growth compared with before as smartphones have penetrated much of the globe. However, smartphone models equipped with Full-HD (1080×1920 pixels) and higher resolution displays saw solid growth due partly to replacement demand. At the same time, intensifying competition contributed to a decline in selling prices in the China market.

In JDI's mainstay mobile device business category changes in the mix of products supplied to customers along with a decline in selling prices caused by stronger competition were contributing factors in the significant drop in sales compared to a year earlier. Sales were also down YoY in the automotive & non-mobile device category.

Note1 As of FY 2016 the heretofore "automotive electronics, C&I and other category" will be renamed the "automotive & non-mobile device category."

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

Mobile Device Category

The Mobile Device category includes displays for smartphones, tablets and conventional mobile phones. First-quarter sales in this category were 140,244 million yen (down 33.2% YoY), accounting for 80.4% of total company sales.

Sales were down YoY in US/Euro, China and other regions. Sales to US/Europe were sluggish due to less demand and a change in the mix of products supplied to customers. Sales to China were down YoY owning to tougher competition but recovered when compared to the previous quarter. As for Asia (not including China), a one-off large-scale order a year earlier resulted in comparatively lower sales in this year's first quarter.

Automotive & Non-Mobile Device Category

The automotive & non-mobile device category includes displays for automotive electronics, consumer electronic devices (digital cameras, game consoles, etc.) and industrial equipment (medical device monitors, etc.) as well as income from intellectual property and other sources. First-quarter sales in this category were 34,097 million yen (down 5.8% YoY), accounting for 19.6% of total sales.

First-quarter automotive display sales were higher YoY on the back of robust auto sales in Europe and the US. However, lower display sales for digital still cameras, game consoles and other consumer electronics caused overall sales in this category to fall YoY.

As a result, FY 2016 first-quarter total net sales were 174,342 million yen, down 29.2% YoY. Lower sales and a consequent drop in gross profit resulted in an operating loss of 3,411 million yen (versus operating income of 2,244 million yen in the first quarter a year earlier). A foreign exchange loss of 6,742 million yen and other non-operating items led to an ordinary loss of 14,225 million yen (compared with an ordinary loss of 110 million yen a year earlier). A net loss attributable to owners of the parent of 11,772 million yen (versus a 461 million yen net loss attributable to owners of the parent a year earlier) resulted from an extraordinary loss of 1,620 million yen on early extra retirement payments and the recording of tax costs and net income to non-controlling interests.

(2) Financial Position

Assets

At the end of the first quarter of FY 2016 JDI had current assets of 364,182 million yen, an increase of 41,359 million yen versus the end of FY 2015 (ended March 31, 2016). The main factors were increases of 8,524 million yen in cash and deposits, 34,541 million yen in accounts receivables and 9,875 million yen in work in process, along with decreases of 7,347 million yen in other receivables and 16,355 million yen in merchandise and finished goods. Noncurrent assets were 519,118 million yen, an increase of 28,078 million yen versus the end of FY 2015, mainly due to a 29,117 million yen increase in property, plant and equipment.

As a results total net assets at the end of the first quarter were 883,300 million yen, 69,438 million yen higher compared with the end of FY 2015.

Liabilities

At the end of the first quarter of FY 2016 JDI had current liabilities of 474,236 million yen, an increase of 91,564 million yen compared with the end of FY 2015. The main reason for the increase was growth of 35,558 million yen in short-term borrowings and 59,996 million yen in advance receipts. Noncurrent liabilities were 60,177 million yen, a decline of 5,763 million yen compared with the end of FY 2015 mainly because of a 1,146 million yen drop in liabilities related to retirement benefit obligations and 3,739 million yen less in lease obligations.

As a result total liabilities at the end of the first quarter were 534,413 million yen, an increase of 85,801 million yen compared with the end of FY 2015.

Net assets

At the end of the first quarter of FY 2016 JDI had net assets of 348,886 million yen, a decrease of 16,362 million yen compared with the end of FY 2015. The major factors were a recorded net loss attributable to owners of the parent of 11,772 million yen and a 4,967 million yen decrease in foreign exchange translation adjustments.

As a result JDI had a shareholders' equity ratio of 39.2% at the end of the first quarter (versus 44.6% at the end of FY 2015).

(3) Note regarding consolidated financial and other forecasts

Consolidated financial forecast for the Second quarter of FY 2016 (Jury 1, 2016 to September 30, 2016)

(Millions of yen)

	Net sales	YoY change (%)	Operating income	YoY change (%)
2Q-FY 2016 (Forecast)	210,000	(19.8)	1,000	(88.0)
2Q-FY 2015 (Actual)	261,736	63.2	8,340	-

Consolidated financial forecast for the first six months of FY 2016 (April 1, 2016 to September 30, 2016)

(Millions of yen)

	Net sales	YoY change (%)	Operating income	YoY change (%)
2Q-FY2016 (Forecast) (6 mo. ending Sep. 30, 2016)	384,342	(24.3)	(2,411)	-
2Q-FY2015 (Actual) (6 mo. ended Sep. 30, 2015)	507,865	77.8	10,584	-

JDI does business in the small-medium display industry, which is known for having a highly volatile business climate. Due to the difficulty in making accurate business forecasts for a full 12-month business period JDI provides consolidated sales and operating income forecasts on a quarterly basis. Also, because large differences that can exist between monetary assets/liabilities denominated in foreign currencies and their value based on the foreign exchange rate at the end of a fiscal period render accurate financial estimates difficult, JDI does not provide financial forecasts for ordinary income and profit attributable to owners of the parent.

Regarding the second quarter of FY 2016 JDI forecasts a YoY decline in sales to 210,000 million yen. While the company expects second-quarter sales to the EU/US and other regions to recover on a QoQ basis, sales on a YoY basis to China and other regions as well as sales in the automotive & non-mobile device category are expected to decline. Given the YoY decline in sales operating income is expected to decline YoY but improve on a QoQ basis to reach 1,000 million yen.

For the first six months of FY 2016 JDI forecasts net sales of 384,342 million yen (down 24.3% YoY) and operating loss of 2,411 million yen (versus operating income of 10,584 million yen a year earlier for the comparable period), which represents a downward shift in sales and earnings.

JDI's financial forecast for the first six months of FY 2016 includes actual results for the first quarter of FY 2016 added to company estimates for the second quarter.

The foreign exchange rate forecast applied to the above financial estimates for the second quarter of FY 2016 is US$1=105 yen.

2. Summary information (notes)

(1) Important changes in principal subsidiaries in the first three-month period (first quarter) of FY 2016

Not applicable.

(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

Not applicable.

(4) Additional information

Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets
The Company has adopted “Implementation Guidance on Recoverability of Deferred Tax Assets” (Guideline of Financial Accounting Standard of Japan, March 28, 2016) in this first quarterly period.

3. Consolidated Financial Statements

(1)Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets:		
Cash and deposits	55,077	63,602
Notes and accounts receivable	80,688	115,230
Other receivables	57,127	49,779
Merchandise and finished goods	54,176	37,820
Work in process	41,090	50,965
Raw materials and supplies	18,861	19,503
Deferred tax assets	7,251	12,588
Other	8,731	14,861
Allowance for doubtful accounts	(182)	(171)
Total current assets	322,822	364,182
Fixed assets:		
Tangible fixed assets		
Building and structures, net	78,560	144,537
Machinery, equipment and vehicles, net	90,455	90,344
Land	14,482	14,367
Lease assets, net	73,063	66,768
Construction in progress, net	167,642	137,758
Other, net	12,580	12,125
Total tangible fixed assets	436,784	465,901
Intangible fixed assets		
Goodwill	19,000	18,322
Other	10,664	10,431
Total intangible fixed assets	29,664	28,754
Investments and other assets		
Other	26,782	26,487
Allowance for doubtful accounts	(2,192)	(2,024)
Total investments and other assets	24,590	24,462
Total fixed assets	491,039	519,118
Total assets	813,861	883,300

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable	138,053	144,513
Short-term borrowings	—	35,558
Current portion of long-term borrowings	8,543	6,531
Current portion of lease obligations	35,740	26,755
Income tax payable and others	1,255	1,599
Accrued bonuses	5,105	2,678
Advance receipts	131,913	191,910
Other	62,060	64,687
Total current liabilities	382,671	474,236
Long-term liabilities:		
Long-term borrowings	138	—
Lease obligations, excluding current portion	32,904	29,165
Net defined benefit liability	32,058	30,912
Other	838	100
Total long-term liabilities	65,940	60,177
Total liabilities	448,612	534,413
Net assets		
Shareholders' equity		
Common stock	96,863	96,863
Capital surplus	257,040	257,040
Retained earnings	3,379	(8,392)
Total shareholders’ equity	357,283	345,511
Accumulated other comprehensive income		
Translation adjustments	13,126	8,158
Accumulated adjustments for retirement benefits	(7,260)	(7,025)
Total accumulated other comprehensive income	5,865	1,133
Subscription rights to shares	18	25
Non-controlling interests	2,082	2,217
Total net assets	365,249	348,886
Total liabilities & net assets	813,861	883,300

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

Consolidated Statement of Income

(Millions of Yen)

	FY 2015 First Quarter	FY 2016 First Quarter
Net sales	246,129	174,342
Cost of sales	228,265	165,938
Gross profit	17,863	8,403
Selling, general and administrative expenses	15,618	11,814
Operating income(loss)	2,244	(3,411)
Non-operating income		
Interest income	34	14
Rent income	116	146
Operations consignment fee	199	213
Subsidy income	1,737	265
Other	121	221
Total non-operating income	2,209	861
Non-operating expenses		
Interest expense	591	607
Advanced depreciation deduction of fixed assets	1,630	―
Foreign exchange loss	1,855	6,742
Other	488	4,327
Total non-operating expenses	4,565	11,676
Ordinary income (loss)	(110)	(14,225)
Extraordinary losses		
Early extra retirement payments	―	1,620
Total extraordinary losses	―	1,620
Net income before taxes	(110)	(15,846)
Income taxes	266	(4,175)
Net income	(376)	(11,671)
Profit attributable to non-controlling interests	84	100
Profit attributable to owners of parent	(461)	(11,772)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY 2015 First Quarter	FY 2016 First Quarter
Net income (loss)	(376)	(11,671)
Other comprehensive income		
Foreign currency translation adjustments	1,411	(5,016)
Remeasurements of defined benefit plans	229	235
Total other comprehensive income	1,641	(4,780)
Comprehensive income	1,264	(16,451)
Comprehensive income attributable to owners of parent	1,171	(16,504)
Comprehensive income attributable to non-controlling interest	92	52

(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