November 9, 2016

# Japan Display Inc.

Consolidated Financial Results for the Six 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 2Q-FY2016 quarterly securities report: November 9, 2016
Commencement of dividend payments: -
Supplementary materials for the 2Q-FY2016 earnings results: Available
Briefing for 2Q-FY2016 results: November 9, 2016

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

## 1. Consolidated results of operations for the six months ended September 30, 2016

(1) Results of operations

(Millions of yen, except per share amounts)

| | 6 mo. ended Sep. 30, 2016 | YoY (%) | 6 mo. ended Sep. 30, 2015 | YoY (%) |
|---|---|---|---|---|
| Net sales | 370,983 | (27.0) | 507,865 | 77.8 |
| Operating income (loss) | (2,176) | - | 10,584 | - |
| Ordinary income (loss) | (20,557) | - | 1,665 | - |
| Profit (loss) attributable to owners of the parent | (16,701) | - | (323) | - |
| Net income (loss) per share | | | | |
| -Basic | (27.77) | | (0.54) | - |
| -Diluted | - | | - | - |
| (Reference) Comprehensive income (loss) | (21,750) | - | (1,218) | - |

(2) Financial position

(Millions of yen, except per share amounts)

| | Sep. 30, 2016 | Mar. 31, 2016 |
|---|---|---|
| Total assets | 909,696 | 813,861 |
| Net assets | 343,586 | 365,249 |
| Shareholders’ equity ratio (%) | 37.5 | 44.6 |
| (Reference) Shareholders’ equity | 340,946 | 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 | - | 0.00 | | | |
| Year ending Mar. 31, 2017 (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 the amount of the fiscal year-end dividend is not yet determined.

## 3. Financial forecast

(Millions of yen)

| | 9 mo. ending Dec. 31, 2016 | YoY Chg (%) |
|---|---|---|
| Net sales ····· | 635,983 | (21.8) |
| Operating income ····· | 7,824 | (67.3) |

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 nine 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)

| | Sep. 30, 2016 | Mar. 31, 2016 |
|---|---|---|
| Number of shares outstanding (incl. treasury shares)····· | 601,411,900 | 601,411,900 |
| Number of treasury shares ····· | 0 | 0 |
| | **6 mo. ended Sep. 30, 2016** | **6 mo. ended Sep. 30, 2015** |
| Average number of shares outstanding ····· | 601,411,900 | 601,403,206 |

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 6 months ended September 30, 2015: 3,842 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 6 months of FY 2016 (April 1, 2016 to September 30, 2016)**

(Units: million yen)

| | 6 mo. ended Sept. 30, 2015 | 6 mo. Ended Sept. 30, 2016 | YoY Change | YoY (%) |
|---|---|---|---|---|
| Mobile device category | 427,302 | 298,813 | (128,489) | (30.1) |
| Automotive & non-mobile device category[1] | 80,562 | 72,169 | (8,393) | (10.4) |
| Net sales | 507,865 | 370,983 | (136,882) | (27.0) |
| Gross profit | 42,509 | 21,496 | (21,013) | (49.4) |
| Operating income (loss) | 10,584 | (2,176) | (12,760) | - |
| Ordinary income (loss) | 1,665 | (20,557) | (22,222) | - |
| Quarterly net income (loss) | (323) | (16,701) | (16,378) | - |
| EBITDA | 50,845 | 35,297 | (15,548) | (30.6) |

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

In six months of FY 2016 the small/medium display market saw continued growth in smartphone display sales. However, the rate of growth has moderated due to the widespread global penetration of smartphone devices. Nevertheless, smartphones equipped with high-resolution displays showed strong growth owing to replacement demand among end users for models with high-resolution display panels.

In JDI's mainstay Mobile Device category sales experienced a recovery in the second quarter but first quarter and second quarter sales declined YoY due to strong sales performances in each quarter a year earlier. Sales in the Automotive and Non-Mobile category for six months also declined on a YoY basis.

Below is an overview of JDI's sales performance in each of the company's application categories for six months of FY 2016.

**Mobile Device Category**

The Mobile Device category includes displays for smartphones, tablets and conventional mobile phones. Six-month sales in this category were 298,813 million yen (down 30.1% YoY), accounting for 80.5% of total company sales.

During the six-month period sales in US/Europe, China and other regions saw a YoY decline. Sales in the US/Europe regions showed signs of a recovery in the latter half of this period but ended up falling below the robust sales of the year-earlier six months. In China demand from some customers underwent a strong recovery approaching the end of the six months and production volume rose due to higher shipments for the second of half of the fiscal year. However, due in particular to increased competition in the earlier half of the six months along with others factors, sales in China finished lower YoY. In other regions, the absence of a large order that was placed in the year-earlier six-month period led to lower YoY sales.

**Automotive and Non-Mobile Device Category**

The Automotive and Non-Mobile category includes displays for automotive electronics, consumer electronic devices (digital cameras, game consoles, etc.) and industrial equipment (medical device monitors, etc.) as well as

[1] As of FY 2016 the heretofore "Automotive Electronics, C&I and Other category" has been renamed the "Automotive & Non-Mobile Device category".

income from intellectual property and other sources. Six-month sales in this category were 72,169 million yen (down 10.4% YoY), accounting for 19.5% of total sales.

During the six months automotive displays took advantage of strong automobile sales in the US/Europe region to achieve steady sales, but a fall in sales of consumer electronic display sales brought total sales in this category down YoY.

As a result, net sales for six months of FY 2016 were 370,983 million yen (down 27.0% YoY versus the six months of a year earlier). The lower sales led to an operating loss for the six months of 2,176 million yen (versus a six-month operating profit of 10,584 million yen a year earlier). Ordinary income showed a loss of 20,557 million yen (compared with an ordinary profit of 1,665 million yen a year earlier) after taking into consideration such non-operating factors as a foreign exchange loss of 8,279 million yen. A six-month net loss attributable to owners of the parent in the amount of 16,701 million yen (versus a 323 million yen net loss attributable to owners of the parent a year earlier) was recorded after taking into account tax expenses and a profit attributable to non-controlling interests.

**Consolidated Results for the Second Quarter of FY 2016 (July 1, 2016 to September 30, 2016)**

Year on year comparison (Millions of yen)

| | 2Q-FY 2015 | 2Q-FY 2016 | YoY | |
|---|---|---|---|---|
| | | | Change | (%) |
| Mobile device category | 217,389 | 158,569 | (58,820) | (27.1) |
| Automotive & non-mobile device category | 44,347 | 38,072 | (6,275) | (14.1) |
| Net sales | 261,736 | 196,641 | (65,095) | (24.9) |
| Gross profit | 24,646 | 13,093 | (11,553) | (46.9) |
| Operating income (loss) | 8,340 | 1,235 | (7,105) | (85.2) |
| Ordinary income (loss) | 1,775 | (6,332) | (8,107) | - |
| Profit (loss) attributable to owners of the parent | 138 | (4,929) | (5,067) | - |
| EBITDA | 28,367 | 20,321 | (8,046) | (28.4) |

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

Quarter on quarter comparison (Millions of yen)

| | 1Q-FY 2016 | 2Q-FY 2016 | QoQ | |
|---|---|---|---|---|
| | | | Change | (%) |
| Mobile device category | 140,244 | 158,569 | 18,325 | 13.1 |
| Automotive & non-mobile device category | 34,097 | 38,072 | 3,975 | 11.7 |
| Net sales | 174,342 | 196,641 | 22,299 | 12.8 |
| Gross profit | 8,403 | 13,093 | 4,690 | 55.8 |
| Operating income (loss) | (3,411) | 1,235 | 4,646 | - |
| Ordinary income (loss) | (14,225) | (6,332) | 7,893 | - |
| Profit (loss) attributable to owners of the parent | (11,772) | (4,929) | 6,843 | - |
| EBITDA | 14,976 | 20,321 | 5,345 | 35.7 |

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

In the FY 2016 second quarter (July 1, 2016 to September 30, 2016) sales fell relative to the solid sales performance of the year-earlier quarter but improved against the first quarter of FY 2016 to finish at 196,641 million yen (down 24.9% YoY, up 12.8% QoQ). Operating profit was 1,235 million yen (down 85.2% YoY

while the FY 2016 first quarter showed an operating loss of 3,411 million yen) while an ordinary loss of 6,332 million yen was booked (versus an ordinary profit of 1,775 million yen a year earlier and an ordinary loss of 14,225 in the first quarter). Net loss attributable to owners of the parent was 4,929 million yen (versus a 138 million yen net profit attributable to owners of the parent a year earlier and a net loss of 11,772 million yen in the FY 2016 first quarter).

Below is an overview of JDI's FY 2016 second-quarter sales performance in each of the company's application categories.

**Mobile Device Category**

Second-quarter sales in this category were 158,569 million yen (up 13.1% QoQ), accounting for 80.6% of total sales. Sales to China saw a decline owing to a drop in demand from some customers but sales to US/Europe regions rose, enabling total category sales to increase QoQ.

**Automotive and Non-Mobile Device Category**

Second-quarter sales in this category were 38,072 million yen (up 11.7% QoQ), accounting for 19.4% of total sales. In addition to strong automotive displays during the quarter display sales for consumer electronics (digital cameras, game consoles, etc.) improved QoQ.

## (2) Financial Position

### (i) Assets, liabilities and net assets

**Assets**

At the end of the second quarter of FY 2016 (September 30, 2016) JDI had current assets of 392,875 million yen, an increase of 70,053 million yen versus the end of FY 2015 (March 31, 2016). The main factors were increases of 17,637 million yen in cash and cash equivalents, 45,825 million yen in other receivables and 13,350 million yen in work in process while merchandise and finished goods decreased by 22,537 million yen. Noncurrent assets were 516,820 million, an increase of 25,781 million yen versus the end of FY 2015, with the main factor being an increase of 27,364 million yen in tangible fixed assets.

As a result total assets at the end of the second quarter were 909,696 million yen, an increase of 95,834 million yen versus the end of FY 2015.

**Liabilities**

At the end of the second quarter of FY 2016 JDI had current liabilities of 515,245 million yen, an increase of 132,574 million yen versus the end of FY 2015. The main factors were increases of 88,624 million yen in notes and accounts payable and 58,958 million yen in advance receipts. Noncurrent liabilities were 50,864 million, a decrease of 15,076 million yen versus the end of FY 2015, with the main factors being decreases of 1,976 million yen in the net defined benefit liability and 12,262 million yen for lease obligations.

As a result total liabilities at the end of the second quarter were 566,110 million yen, an increase of 117,498 million yen versus the end of FY 2015.

**Net assets**

Total net assets at the end of the second quarter of FY 2016 were 343,586 million yen, a decrease of 21,663 million yen compared with the end of FY 2015. The main factors were a 16,701 million yen loss attributable to owners of the parent and a foreign currency translation adjustment decrease of 5,835 million yen.

As a result JDI had a shareholders’ equity ratio of 37.5% at the end of the second quarter (versus 44.6% at the end of FY 2015).

**(ii) Cash flow**

At the end of the second quarter of FY 2016 JDI had cash and cash equivalents of 72,714 million yen, an increase of 17,637 million yen compared with the end of FY 2015. Cash flows and contributing factors for the period under review are presented below.

**Cash flows from operating activities**

Net cash provided by operating activities during the six months of FY 2016 was 106,141 million yen (as compared to a net cash increase of 13,103 million yen during the year-earlier six-month period). Cash inflow contributing factors included 40,327 million yen in depreciation, a 91,058 million yen increase in accounts payable-trade and a 58,988 million yen increase in advance receipts. Cash outflow contributing factors included an increase of 10,199 million yen in accounts receivable, a 45,487 million yen increase in other receivables and a 14,206 million yen decrease in accounts payable.

**Cash flows from investing activities**

Net cash used in investing activities during the six months of FY 2016 was 62,158 million yen (as compared to a net cash decrease of 57,406 million yen during the year-earlier six-month period). The main factor was an expenditure of 66,062 million yen for the acquisition of property and equipment to increase manufacturing capacity.

**Cash flows from financing activities**

Net cash used in financing activities during the six months of FY 2016 was 22,270 million yen (as compared to a net cash increase of 1,257 million yen during the year-earlier six-month period). The main cash outflow was payments on lease obligations of 21,969 million yen.

**(3) Note regarding consolidated financial and other forecasts**

Consolidated financial forecast for the Third Quarter of FY 2016 (October 1, 2016 to December 31, 2016)

(Millions of yen)

| | Net sales | YoY change (%) | Operating income | YoY change (%) |
|---|---|---|---|---|
| 3Q-FY 2016 (Forecast) | 265,000 | (13.1) | 10,000 | (24.9) |
| 3Q- FY 2015 (Actual) | 304,975 | 21.4 | 13,324 | (9.4) |

Consolidated financial forecast for Nine Months of FY 2016 (April 1, 2016 to December 31, 2016)

(Millions of yen)

| | Net sales | YoY change (%) | Operating income | YoY change (%) |
|---|---|---|---|---|
| 9 months of FY 2016 (Forecast) | 635,983 | (21.8) | 7,824 | (67.3) |
| 9 months of FY 2015 (Actual) | 812,840 | 51.4 | 23,908 | - |

JDI does business in the small/medium display industry, which is known for having a highly volatile business climate. Due to the difficulty of making reliable business forecasts for a full 12-month business period JDI provides net sales and operating income forecasts on a quarterly basis. Moreover, because large differences that can exist between foreign currency denominated monetary assets/liabilities based on the foreign exchange rate at

the end of a fiscal period preclude accurate foreign exchange gain/loss predictions, JDI does not provide financial forecasts below the line of operating income.

For the third quarter of FY 2016 JDI forecasts a recovery in sales to China, which had been weak up through the second quarter. Also sales to US/Europe regions are expected to benefit from a rise in demand due to seasonality and other factors.

In regard to the financial forecast for the third quarter of FY 2016 JDI expects lower results compared to the robust third quarter of FY 2015, with net sales at 265,000 million yen and operating income at 10,000 million yen. However, from the third quarter onward strong demand from customers in China and the benefits of management reforms that began to be implemented in FY 2015 are expected to help results recover in the second half of the FY 2016.

For the third quarter of FY 2016 JDI forecasts net sales of 635,983 million yen (down 21.8% YoY) and operating income of 7,824 million yen (versus operating income of 23,908 yen a year earlier).

Furthermore, JDI's financial forecast for nine months of FY 2016 takes into account actual results from the first six months of FY 2016.

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

## 2. Summary information (notes)

### (1) Important changes in principal subsidiaries in the first six-months period (first half) 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 half.

### (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 half period.

## 3. Consolidated Financial Statements
## (1)Consolidated Balance Sheet

(Millions of Yen)

| | As of March 31, 2016 | As of September 30, 2016 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 55,077 | 72,714 |
| Notes and accounts receivable | 80,688 | 81,348 |
| Other receivables | 57,127 | 102,952 |
| Merchandise and finished goods | 54,176 | 31,639 |
| Work in process | 41,090 | 54,440 |
| Raw materials and supplies | 18,861 | 23,167 |
| Deferred tax assets | 7,251 | 15,496 |
| Other | 8,731 | 11,288 |
| Allowance for doubtful accounts | (182) | (171) |
| Total current assets | 322,822 | 392,875 |
| Fixed assets: | | |
| Tangible fixed assets | | |
| Building and structures, net | 78,560 | 145,146 |
| Machinery, equipment and vehicles, net | 90,455 | 108,255 |
| Land | 14,482 | 14,342 |
| Lease assets, net | 73,063 | 52,010 |
| Construction in progress, net | 167,642 | 132,175 |
| Other, net | 12,580 | 12,218 |
| Total tangible fixed assets | 436,784 | 464,149 |
| Intangible fixed assets | | |
| Goodwill | 19,000 | 17,739 |
| Other | 10,664 | 9,864 |
| Total intangible fixed assets | 29,664 | 27,604 |
| Investments and other assets | | |
| Other | 26,782 | 27,012 |
| Allowance for doubtful accounts | (2,192) | (1,946) |
| Total investments and other assets | 24,590 | 25,066 |
| Total fixed assets | 491,039 | 516,820 |
| Total assets | 813,861 | 909,696 |

(Millions of Yen)

| | As of March 31, 2016 | As of September 30, 2016 |
|---|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable | 138,053 | 226,677 |
| Short-term borrowings | — | 4,370 |
| Current portion of long-term borrowings | 8,543 | 4,267 |
| Current portion of lease obligations | 35,740 | 26,033 |
| Income tax payable and others | 1,255 | 2,465 |
| Accrued bonuses | 5,105 | 4,565 |
| Advance receipts | 131,913 | 190,872 |
| Other | 62,060 | 55,993 |
| Total current liabilities | 382,671 | 515,245 |
| Long-term liabilities: | | |
| Long-term borrowings | 138 | — |
| Lease obligations, excluding current portion | 32,904 | 20,642 |
| Net defined benefit liability | 32,058 | 30,081 |
| Other | 838 | 139 |
| Total long-term liabilities | 65,940 | 50,864 |
| Total liabilities | 448,612 | 566,110 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 96,863 | 96,863 |
| Capital surplus | 257,040 | 257,040 |
| Retained earnings | 3,379 | (13,321) |
| Total shareholders’ equity | 357,283 | 340,581 |
| Accumulated other comprehensive income | | |
| Translation adjustments | 13,126 | 7,291 |
| Accumulated adjustments for retirement benefits | (7,260) | (6,926) |
| Total accumulated other comprehensive income | 5,865 | 364 |
| Subscription rights to shares | 18 | 31 |
| Non-controlling interests | 2,082 | 2,607 |
| Total net assets | 365,249 | 343,586 |
| Total liabilities & net assets | 813,861 | 909,696 |

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

### Consolidated Statement of Income

(Millions of Yen)

| | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---|---|---|
| Net sales | 507,865 | 370,983 |
| Cost of sales | 465,356 | 349,486 |
| Gross profit | 42,509 | 21,496 |
| Selling, general and administrative expenses | 31,924 | 23,672 |
| Operating income(loss) | 10,584 | (2,176) |
| Non-operating income | | |
| Interest income | 60 | 36 |
| Rent income | 242 | 292 |
| Operations consignment fee | 384 | 489 |
| Subsidy income | 1,743 | 877 |
| Other | 205 | 1,193 |
| Total non-operating income | 2,635 | 2,890 |
| Non-operating expenses | | |
| Interest expense | 1,198 | 1,103 |
| Advanced depreciation deduction of fixed assets | 1,630 | 395 |
| Foreign exchange loss | 6,826 | 8,279 |
| Other | 1,898 | 11,492 |
| Total non-operating expenses | 11,553 | 21,271 |
| Ordinary income (loss) | 1,665 | (20,557) |
| Extraordinary losses | | |
| Early extra retirement payments | － | 1,620 |
| Total extraordinary losses | － | 1,620 |
| Net income (loss) before taxes | 1,665 | (22,177) |
| Income taxes | 1,887 | (5,984) |
| Net income (loss) | (221) | (16,193) |
| Profit attributable to non-controlling interests | 102 | 508 |
| Profit (loss) attributable to owners of parent | (323) | (16,701) |

## Consolidated Statement of Comprehensive Income

(Millions of Yen)

| | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---|---|---|
| Net income (loss) | (221) | (16,193) |
| Other comprehensive income | | |
| Foreign currency translation adjustments | (1,491) | (5,891) |
| Remeasurements of defined benefit plans | 494 | 334 |
| Total other comprehensive income | (997) | (5,557) |
| Comprehensive income | (1,218) | (21,750) |
| Comprehensive income attributable to owners of parent | (1,309) | (22,202) |
| Comprehensive income attributable to non-controlling interest | 91 | 451 |

## (3) Consolidated Statement of Cash Flows

(Millions of Yen)

| | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---|---|---|
| Cash flow from operating activities | | |
| Income (loss) before income taxes | 1,665 | (22,177) |
| Adjustment to reconcile income before income taxes to net cash used in operating activities; | | |
| Depreciation expenses | 39,154 | 40,327 |
| Amortization of goodwill | 1,319 | 1,183 |
| Increase (decrease) in allowance for doubtful accounts | 93 | (57) |
| Increase (decrease) in net defined benefit liability | (1,035) | (1,607) |
| Interest expense | 1,198 | 1,103 |
| Foreign exchange loss (gain), net | (73) | 13,788 |
| Decrease (increase) in notes and accounts receivable | (41,083) | (10,199) |
| Decrease (increase) in inventories | (3,096) | (76) |
| Increase (decrease) in notes and accounts payable | 45,851 | 91,058 |
| Decrease (increase) in other accounts receivable | (54,528) | (45,487) |
| Increase (decrease) in other accounts payable | 7,830 | (14,206) |
| Increase (decrease) in accrued expenses | (4,352) | 613 |
| Decrease (increase) in consumption taxes refund | 3,541 | (1,314) |
| Increase (decrease) in advances receipts | 17,829 | 58,988 |
| Subsidy income | (1,743) | (877) |
| Advanced depreciation deduction of fixed assets | 1,630 | 395 |
| Other, net | 1,529 | (3,242) |
| Subtotal | 15,731 | 108,209 |
| Dividends and interest received | 67 | 41 |
| Interest paid | (1,207) | (1,103) |
| Income and other taxes paid | (2,228) | (1,322) |
| Income and other taxes refund | 740 | 316 |
| Net cash provided by (used in) operating activities | 13,103 | 106,141 |

(Millions of Yen)

| | Six months ended September 30, 2015 | Six months ended September 30, 2016 |
|---|---|---|
| Cash flow from investing activities | | |
| Acquisitions of property and equipment | (59,386) | (66,062) |
| Proceeds from sales of property and equipment | 296 | 3,168 |
| Proceeds from subsidy income | 1,743 | 766 |
| Other, net | (59) | (32) |
| Net cash provided by (used in) investing activities | (57,406) | (62,158) |
| Cash flow from financing activities | | |
| Net increase (decrease) in short-term debt | — | 4,103 |
| Repayment of long-term debt | (4,313) | (4,404) |
| Repayment of lease obligations | (14,840) | (21,969) |
| Proceeds from sale and leaseback of machinery and equipment | 20,340 | — |
| Proceeds from issuance of common shares | 12 | — |
| Proceed from sales of treasury stock | 60 | — |
| Net cash provided by (used in) financing activities | 1,257 | (22,270) |
| Foreign currency exchange effect on cash and cash equivalents | 185 | (4,074) |
| Net increase (decrease) in cash and cash equivalents | (42,859) | 17,637 |
| Beginning balance, cash and cash equivalents | 94,643 | 55,077 |
| Ending balance, cash and cash equivalents | 51,783 | 72,714 |

## (4) 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