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Plan for Compliance with TSE Prime Listing Requirement (Free-Float Ratio)

As of FY23/3 fiscal year-end (March 31, 2023), Japan Display Inc. (JDI) fell short of the Tokyo Stock Exchange (TSE) Prime Market's listing requirement (the "free-float requirement") to keep its free-float ratio above 35%. JDI has therefore prepared the following plan to comply with the free-float requirement.

1. JDI's Compliance Status with the Free-Float Requirement and the Compliance Plan Period

JDI is receiving support from Ichigo Trust ("Ichigo") for its business revitalization. JDI first entered into a capital alliance agreement with Ichigo on January 31, 2020, with an additional capital alliance agreement on July 21, 2020, for the purpose of securing funding. Pursuant to these capital alliance agreements, JDI issued preferred shares and warrants for preferred shares to Ichigo by way of third-party allotment. Subsequently, Ichigo exercised its rights to convert the preferred shares into JDI common shares and became the controlling shareholder of JDI with a 56.7% stake on January 26, 2023.

In addition, JDI entered into a new additional capital alliance agreement with Ichigo on February 10, 2023 to dramatically improve its financial position, further strengthen JDI's Global No.1 proprietary technologies, and drive JDI's sustainable competitive advantage in line with its METAGROWTH 2026 growth strategy. This was followed by the issuance of common shares and the 13th Stock Acquisition Rights to Ichigo through a third-party allotment on March 22, 2023, resulting in Ichigo's 78.2% ownership of JDI.

Under TSE rules, JDI would be required to comply with the free-float requirement by the end of March 2025, because JDI was listed on the TSE First Section prior to the change in market classification on April 4, 2022. However, TSE rules include a special exemption where a third party owns listed shares to support business revitalization, and if the TSE recognizes that the listed company has the prospect of complying with the free-float requirement within 5 years, the listed company may be granted an extension of 5 years (or such period as the TSE deems appropriate) to comply with the free-float requirement.

As JDI is being financed by Ichigo and receiving support for its revitalization, the TSE has granted JDI a 5-year extension to the end of March 2028 to meet the free-float requirement.

	Number of Shareholders	Outstanding Shares (units)	Free Float Market Cap (JPY billion)	Free Float Ratio (%)	Net Assets (JPY billion)
JDI Compliance Status (as of March 31, 2023)	71,700	5,674,207	23.6	14.6	124.4
Requirement	800	20,000	10,0	35.0	Positive net assets
Compliance Plan Period	—	—	—	March-end 2028	—

2. Policy Towards Generating Compliance with the Free-Float Requirement

Based on its METAGROWTH 2026 growth strategy announced in May 2022, JDI is working to dramatically improve its profitability and drive significant growth by leveraging its Global No. 1 proprietary technologies, such as its next-generation OLED eLEAP and high-mobility oxide HMO backplane technology, as key drivers of value creation.

In its "FY23/3 Corporate Presentation ([Link](#))" announced on May 12, 2023, JDI presented revised estimates for its METAGROWTH 2026 KPIs, with EBITDA expected to turn positive in FY25/3 and operating profit expected to turn positive in FY26/3.

JDI will work towards delivering on its METAGROWTH 2026 KPIs, thereby supporting greater liquidity of its shares held by Ichigo as well as INCJ, Ltd. ("INCJ"), JDI's second largest shareholder.

JDI plans to announce revised METAGROWTH 2026 KPIs in August 2023 following the expected signing of a final strategic agreement with HKC, the global No.3 display maker, with whom JDI signed a MOU for strategic alliance on April 10, 2023.

3. Background and Initiatives Towards Compliance

(1) Background

To comply with the free-float requirement, the primary challenge is to reduce Ichigo's 78.2% shareholding as of March 31 2023.

INCJ's 5.5% shareholding as of March 2023 will also need to be reduced. INCJ was established through an incorporation-type divestiture from the former Innovation Network Corporation of Japan (now Japan Investment Corporation), which was approved by the Minister of Economy, Trade and Industry under the Industrial Competitiveness Enhancement Act prior to its amendment by the Act to Partially Amend the Industrial Competitiveness Enhancement Act (Act No. 26 of 2018). As a condition for approval pursuant to notification (No. 4 of 20180913) regarding such approval, INCJ must dispose of all shares it holds by March 2025.

In addition to common shares, Ichigo also holds JDI Class E Preferred Shares (the "Preferred Shares") and the 13th Stock Acquisition Rights (the "Warrants"). If Ichigo were to convert the Preferred Shares into common shares or exercise the Warrants prior to it disposing of its common shares, then the maximum ratio of shares held by Ichigo would become 91.6%, and JDI's free-float ratio will further decrease from the current 14.6%.

JDI Shares Outstanding

(As of March 31, 2023)

	Total Number of Shares Outstanding				
	Free-Float	Ichigo	INCJ	Others	
Number of Shares	3,880,388,022	567,420,774	3,034,222,222	214,000,000	64,745,026
Share Ratio	100%	14.6%	78.2%	5.5%	1.7%

Note: A maximum of 2,308,329,640 JDI common shares will be issued upon conversion of the Class E Preferred Shares and a maximum of 3,852,444,400 JDI common shares will be issued upon exercise of the 13th Stock Acquisition Rights.

JDI recognizes that delivering on its METAGROWTH 2026 KPIs will be important in its ongoing discussions with Ichigo and INCJ pertaining to a reduction in their shareholding ratios.

(2) Initiatives

JDI will work towards achieving the goals it set forth in its METAGROWTH 2026 growth strategy, while also continuing to engage with investors that may be potential buyers of JDI shares from Ichigo and INCJ. As JDI's initiatives generate sustainable improvements in both profits and cash flow, JDI will accelerate its engagement with investors with respect to the sale of JDI shares held by Ichigo and INCJ.

In order to achieve a reduction in JDI shares held by Ichigo and INCJ, JDI recognizes that it is essential not only to deliver on improved earnings but also to deepen investors' and market participants' understanding of its initiatives, progress, and future prospects. Toward this end, in addition to appropriate and timely disclosure of information, JDI will continue to engage with both domestic and overseas investors via earnings presentations (live and via video), investor roadshows, English language disclosures, and continued improvements to JDI's corporate website.