Consolidated Financial Results
for the Fiscal Year Ended December 31, 2016
[Japanese GAAP]

February 8, 2017

Company name: W-SCOPE Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 6619
URL: http://w-scope.co.jp/
Representative: Won-Kun Choi, Representative Director
Contact: Kunihiko Takei, CFO and Director of Corporate Development
Phone: +81-3-5436-7155
Scheduled date of Annual Shareholders' Meeting: March 22, 2017
Scheduled date of commencing dividend payments: March 23, 2017
Scheduled date of filing annual securities report: March 23, 2017
Availability of supplementary briefing material on annual financial results: Not available
Schedule of annual financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales volume		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2016	9,048	21.5	2,370	19.6	2,479	20.7	1,945	6.3
December 31, 2015	7,448	64.7	1,982	408.1	2,054	195.6	1,829	246.1

(Note) Comprehensive income: Fiscal year ended December 31, 2016: ¥1,387 million [12.3%]
Fiscal year ended December 31, 2015: ¥1,235 million [(0.7)%]

	Net profit per share	Diluted net profit per share	Return on equity	Ordinary profit to total assets	Operating profit to sales volume
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2016	65.28	61.46	11.8	10.5	26.2
December 31, 2015	64.52	62.08	15.6	13.1	26.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2016: ¥ - million
Fiscal year ended December 31, 2015: ¥ - million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	30,394	20,670	67.8	665.73
As of December 31, 2015	17,047	12,405	72.5	435.01

(Reference) Equity: As of December 31, 2016: ¥20,608 million
As of December 31, 2015: ¥12,360 million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net assets per share is calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2016	2,729	(7,460)	11,384	10,508
December 31, 2015	2,668	(3,562)	924	3,948

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2015	-	0.00	-	10.00	10.00	142	7.75	1.21
December 31, 2016	-	0.00	-	2.50	2.50	77	3.83	0.45
Fiscal year ending December 31, 2017 (Forecast)	-	0.00	-	2.50	2.50		4.38	

(Note) Breakdown of year-end dividend for fiscal year ended December 31, 2015:
Normal dividend: ¥5.00 Commemorative dividend: ¥5.00
For details, please refer to “1. Analysis of Operating Results and Financial Position (3) Dividend Policy and Payments for the Fiscal Years 2016 and 2017” on page 5 of the Appendix.
The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Dividends paid in or before the second quarter of the fiscal year ended December 31, 2016 refer to the actually paid dividends before such stock split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(% indicates changes from the previous corresponding period.)

	Sales volume		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,000	11.6	1,000	(32.5)	900	(37.2)	600	(45.0)	20.14
Full year	12,000	32.6	2,400	1.2	2,200	(11.3)	1,700	(12.6)	57.05

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
New: 1 company (company name) W-SCOPE CHUNGJU PLANT CO., LTD.
Excluded: - companies (company name)

(Note) For details, please refer to “2. Overview of the Corporate Group” on page 6 of the Appendix.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(Note) For details, please refer to “5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements” on page 16 of the Appendix.

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2016: 30,956,600 shares

December 31, 2015: 28,413,200 shares

2) Total number of treasury shares at the end of the period:

December 31, 2016: 223 shares

December 31, 2015: 86 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2016: 29,797,736 shares

Fiscal year ended December 31, 2015: 28,360,140 shares

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Total number of issued shares (common shares) are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales volume		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2016	807	(36.3)	(216)	-	406	(67.6)	382	(68.6)
December 31, 2015	1,266	112.5	(85)	-	1,253	429.0	1,216	430.4

	Net profit per share	Diluted net profit per share
Fiscal year ended	Yen	Yen
December 31, 2016	12.83	12.08
December 31, 2015	42.88	41.26

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	25,608	17,373	67.6	559.21
As of December 31, 2015	13,725	10,112	73.4	354.33

(Reference) Equity: As of December 31, 2016: ¥17,311 million

As of December 31, 2015: ¥10,067 million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net assets per share is calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

* Presentation regarding the implementation status of the audit process

These financial results are outside the scope of audit process procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit process procedures for the consolidated financial statements under the Financial Instruments and Exchange Act have not been completed.

* Explanation of the proper use of financial results forecast and other notes

(Notes concerning forward-looking statements)

Forward-looking statements concerning financial forecasts contained in these documents are based on information the Company has currently obtained and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. For information concerning the assumptions used for financial forecasts and notes on the use of financial forecasts, please refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results" on page 2 of the Appendix.

(Method for acquiring supplementary briefing material on annual financial results and details of annual financial results briefing session)

The Company plans to hold a briefing session for institutional investors and securities analysts on Wednesday, February 8, 2017. A video of this briefing session and briefing material on annual financial results used on that day will be posted on the Company's website promptly after the briefing session.

Table of Contents of the Appendix

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating Results for the Fiscal Year 2016)

During the fiscal year ended December 31, 2016, while the US economy was strong throughout the year, European economic growth fell below the forecast resulting from geopolitical risks, and economic stagnation in China became apparent due to factors including a decrease in exports. As a result, the global economic growth remained moderate as the growth rate fell below expectations.

Under these circumstances, in the W-SCOPE Group’s (hereinafter, the “Group”) core lithium-ion secondary battery separators business, despite the further maturing of the market, stable growth continued in consumer electronics applications (hereinafter, “CE applications”) that account for approximately 70% of the lithium-ion secondary battery market, due to expanded capacity of lithium-ion batteries and expansion of existing application mainly for smartphone in addition to the spread of new application of power tools. In transportation equipment applications consisting of EV (electric vehicles) and HEV (hybrid vehicles) that are a new market for lithium-ion secondary batteries, market expansion was strong. This was primarily due to the apparent future expansion of EV applications on a global level, driven mainly by the promotion policies for EV in China and initiatives for environmental regulations in Europe, the US and Japan.

CE applications account for approximately 65% of sales volume in the Group. The main contributors for sales volume in CE applications are new applications including power tools. In vehicular applications that account for approximately 35% of sales volume in the Group, sales in the US market began in 2009, and sales in the Chinese market have shown a gradual increase since 2014. The Group has also started shipping its products to South Korea, and will strengthen our efforts for EV applications in Europe in the future.

In the Chinese market that accounts for 52.2% of consolidated sales volume, the new energy vehicles (EV and HEV) applications account for a large proportion; however, the Group could not sufficiently meet the demand in the Chinese market due to its limited production capacity, resulting in limited increase of 9.8% compared to the previous fiscal year. The sales composition ratio decreased by 5.5% compared to the previous fiscal year.

In US market that accounts for 5.3% of consolidated sales volume, there was a decrease of 60.1% compared to the previous fiscal year, mainly due to the effects of production adjustment by the Group’s customers. A stable trend is expected in the medium-term, as the Group’s US customers produce batteries mainly for transportation equipment applications, and the Group has concluded multiple-year contracts with them.

In the South Korean market, aggressive sales activities were conducted towards the leading South Korean battery manufacturer, the LG Group, bringing about an expansion of the adopted applications and models. As a result, sales towards the Group increased by 87.4% compared to the previous fiscal year, accounting for 39.0% of sales volume.

In Japan, the Group continued shipment of coating-type separators from April 2016, and was able to achieve stable expansion (grew 401.8% compared to previous fiscal year) and a sales composition ratio of 3.6%. The Group has reached the phase where it expects to achieve sales growth in Japanese market from the next fiscal year onward.

Against a backdrop of robust demand from customers, the Group continues to increase its production capacity. Lines #6 and #7 were shifted to mass production in September 2016. While operations in Line #5 commenced in September 2016, the transition to mass production has been delayed by about six months against the initial plan, due to technical problems. As a result, the supply volume fell below the initial plan. The technical problems in Line #5 have been solved, and the initially planned production capacity of the line was achieved in January 2017, enabling stable mass production in Line #5.

The Group decided to invest in Lines #8 to #13 and their coating facilities, and has already invested in Lines #8 to #11 and their coating facilities.

As a result, sales volume grew by ¥1,599,978 thousand or 21.5% compared to the previous fiscal year to ¥9,048,159 thousand, and the Group was able to further diversify customers and sales regions.

In addition, R&D spending declined by ¥74,690 thousand compared to the previous fiscal year to ¥178,159 thousand as a result of utilizing subsidies for development of new applications for water treatment filters. As a result, operating profit increased by ¥388,329 thousand compared to the previous fiscal year to ¥2,370,962 thousand. Non-operating revenue included foreign exchange gains of ¥124,783 thousand, and as a result, net profit before taxes and other adjustment grew by ¥425,507 thousand or 20.7% compared to the previous fiscal year to ¥2,479,983 thousand, and net profit increased by ¥115,425 thousand or 6.3% compared to the previous fiscal year to ¥1,945,227 thousand. Increased tax burdens were mainly due to downtime for capital investments in 2016, and the Group expects the tax burden rate to be maintained at a stable level in the future.

Average exchange rates for the fiscal year 2016 were ¥108.64 to the US dollar and ¥93.6 for 1,000 Korean won.

(Outlook for the Fiscal Year 2017)

In the lithium-ion secondary battery separators business that is the Group's core business, the lithium-ion secondary battery market can be expected to expand over the medium- to long-term, and significantly increased demand is also expected for separators that are one of the main components for lithium-ion secondary batteries. In short term, this is due to the continued expansion of CE applications in addition to the worldwide demand for transportation equipment applications, which is expected to increase going forward. Underpinned by these factors, continued growth in the lithium-ion secondary battery separator market is expected.

Under these circumstances, the Group plans to increase supply capacity by approximately 30% compared to the previous fiscal year by the end of the next fiscal year by completing construction of, and moving to mass production in Lines #8 and #9 (during the third quarter of fiscal year 2017). It also plans to increase the coating capacity by approximately 200% compared to the previous fiscal year by completing construction of, and moving to mass production for the coating lines (during the second quarter of fiscal year 2017). Taking these into consideration, sales volume is expected to increase and surpass the market expansion rate through expanded transactions with existing customers as well as new customer acquisitions. In transportation applications, continued strong growth is expected for the fiscal year 2017, since demand in developed countries such as Europe, as well as the Chinese and US markets is expected. Operations in Line #10 and #11 where the Group decided to make investments are scheduled to be commenced in the fiscal year ending December 31, 2018 and we anticipate the occurrence of advance costs.

Based on these factors, sales volume of ¥12,000 million (32.6% compared to the previous fiscal year), operating profit of ¥2,400 million (1.2% compared to the previous fiscal year), ordinary profit of ¥2,200 million ((11.3%) compared to the previous fiscal year), and net profit of ¥1,700 million ((12.6%) compared to the previous fiscal year) are projected for the fiscal year ending December 31, 2017.

As the assumptions for the business results projections, ¥100.0 to the US dollar and ¥105.0 for 1,000 Korean won are the projected average exchange rates for the full year.

As the assumptions for the business results projections, ¥110.0 to the US dollar and ¥100.0 for 1,000 Korean won are the projected average exchange rates for the full year.

(2) Analysis of Financial Position

(i) Assets, liabilities, and net assets

Total assets as of the end of the fiscal year under review stood at ¥30,394,553 thousand, up ¥13,346,606 thousand from the end of the previous fiscal year. The main causes are as follows.

(Assets)

Current assets stood at ¥13,818,287 thousand, a ¥7,378,533 thousand decrease from the end of the previous fiscal year. This was mainly due to a ¥6,559,868 thousand increase in cash and bank deposits, a ¥128,777 thousand increase in merchandise and finished goods, and a ¥484,465 thousand increase in notes and accounts receivable – trade. Fixed assets were ¥16,576,265 thousand, a ¥5,968,073 thousand increase from the end of the previous fiscal year. This was mainly due to a ¥1,092,377 thousand increase in buildings and structures, a ¥2,951,865 thousand increase in machinery, equipment and vehicles and a ¥1,876,404 thousand increase in construction in progress.

(Liabilities)

Liabilities stood at ¥9,724,089 thousand, up ¥5,081,229 thousand from the end of the previous fiscal year. Current liabilities as of the end of the consolidated fiscal year under review stood at ¥2,737,103 thousand, up ¥1,428,991 thousand from the end of the previous fiscal year. This was mainly due to a ¥1,029,792 thousand increase in current portion of long-term debt, a ¥129,099 thousand increase in accounts payable – other and a ¥170,947 thousand increase in income taxes payable. Fixed liabilities stood at ¥6,986,985 thousand, up ¥3,652,238 thousand from the end of the previous fiscal year. This was due mainly to a ¥3,515,835 thousand increase in long-term debt.

(Net assets)

Net assets as of the end of the fiscal year under review stood at ¥20,670,463 thousand, up ¥8,265,376 thousand from the end of the previous fiscal year. This was due mainly to a ¥3,501,736 thousand increases in both capital and capital surplus and a ¥1,803,162 thousand increase in retained earnings.

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review increased by ¥6,559,868 thousand or 166.1% from the end of the previous fiscal year to ¥10,508,504 thousand. The main causes are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to ¥2,729,488 thousand (compared with ¥2,668,124 thousand provided in the previous fiscal year). This was due mainly to the recording of ¥2,479,983 thousand in net profit before taxes and other adjustment and the recording of ¥1,134,672 thousand in depreciation while there was a ¥493,389 thousand increase in notes and accounts receivable – trade and ¥294,352 thousand for income taxes payment.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥7,460,206 thousand (compared with ¥3,562,140 thousand used in the previous fiscal year). This was due mainly to ¥7,412,659 thousand of purchase of tangible fixed assets.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities amounted to ¥11,384,625 thousand (compared with ¥924,116 thousand provided in the previous fiscal year). This was due mainly to the recording of a ¥5,000,000 thousand of increase in long-term debt a ¥6,956,834 proceeds from issuance of common shares a decrease in long-term debt of ¥454,373 thousand.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2015
Equity ratio	82.7	83.8	77.2	72.5	67.8
Equity ratio based on market value	58.3	68.6	69.2	375.0	178.2
Cash flows/Interest-bearing debt ratio	3.7	2.2	2.5	1.3	2.9
Interest coverage ratio	18.2	112.4	168.0	196.5	89.3

Equity ratio: Equity/Total assets
Equity ratio based on market value: Total market value of stock/Total assets
Cash flows/Interest-bearing debt ratio: Interest bearing debts/Cash flows
Interest coverage ratio: Cash flows/Interest paid

(Note 1) The indicators were calculated using consolidated financial figures.
(Note 2) Market capitalization is calculated based on the number of issued shares.
(Note 3) Cash flows are the figures of net cash provided by (used in) operating activities.
(Note 4) Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid.

(3) Dividend Policy and Payments for the Fiscal Years 2016 and 2017

The Company recognizes the return of profits to its shareholders as an important management issue, and its basic policy is to provide stable dividends of profits after giving overall consideration to the financial position, operating results, and management overall, while securing the internal reserves necessary for sustainable growth in the future.

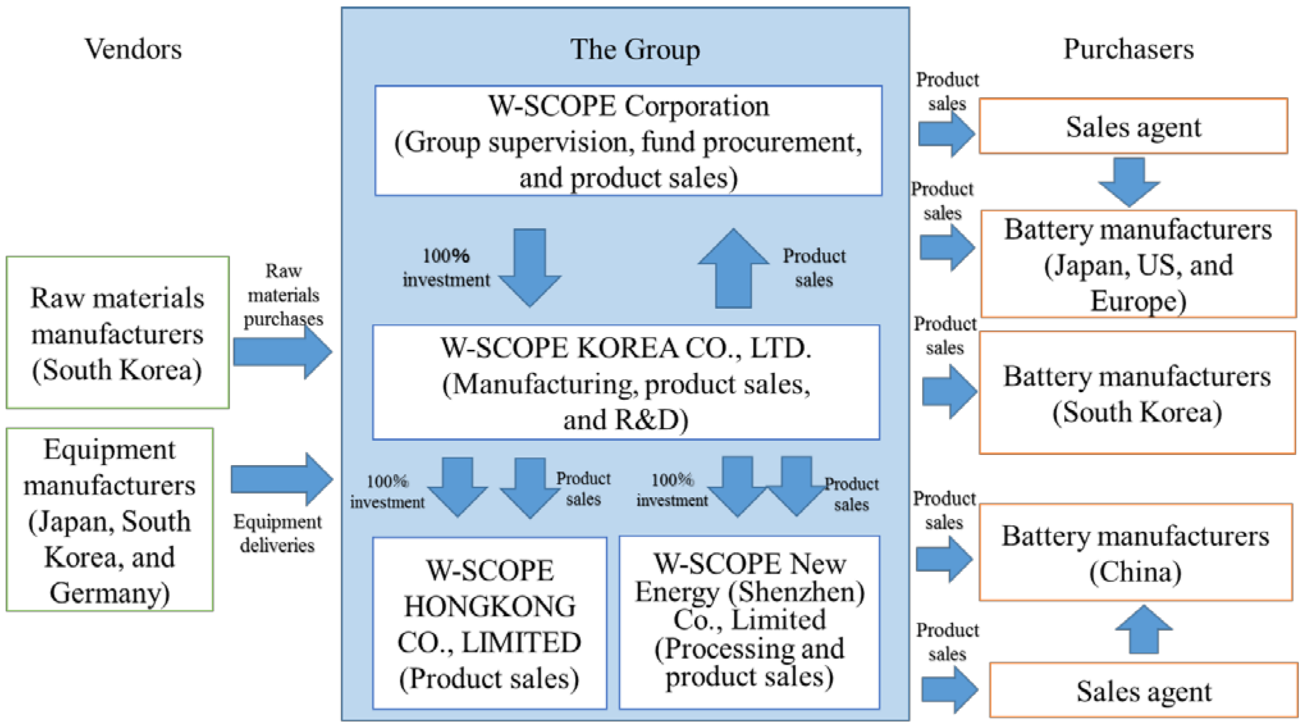
In terms of dividends for the fiscal year 2016, a dividend of ¥2.5 per share (a normal dividend of ¥2.5) is planned.

As for the dividend for the fiscal year 2017, a dividend of ¥2.5 per share (a normal dividend of ¥2.5) is planned after giving overall consideration to active capital investments planned to start from the fiscal year 2017.

2. Overview of the Corporate Group

The Group consists of a total of five companies, namely the Company and four consolidated subsidiaries (W-SCOPE KOREA CO., LTD., W-SCOPE CHUNGJU PLANT CO., LTD., W-SCOPE HONGKONG CO., LIMITED, W-SCOPE New Energy (Shenzhen) Co., Limited). The Group's core business is the manufacturing and sales of lithium-ion secondary battery separators and its main customers are lithium-ion secondary battery manufacturers that are based in Japan, South Korea, China, and the US. The Group established W-SCOPE CHUNGJU PLANT CO., LTD. in October 2016; however, this subsidiary is not included in the Group's business structure, since it has not yet commenced business operations as of the end of the fiscal year under review.

An illustration of the Group's business structure is as follows.



3. Management Policies

(1) Basic Management Policies of the Company

The Group's basic management policy is to become recognized as a manufacturer that provides membrane film (Note) with the best quality and performance in the world. Membrane film is a product that can serve as a passage for common substances or that only allows the passage of substances desired by users as a filter for impurities, depending on the application. The Group's mission is to contribute to the development of the human race by providing paths for communication with the world like membrane film and itself fulfilling the function of filtering contamination at times in order to become a company that can contribute to maintaining the global environment in its natural state.

(Note) Membrane film is a porous high-polymer membrane using polyolefin, cellulose, etc. A separator is a kind of membrane film.

(2) Targeted Performance Indicators

The Group views return on equity (ROE) as a benchmark that indicates the operational efficiency of capital entrusted from shareholders, the ratio of operating profit to sales volume as benchmark for high added value companies, and their improvement as the most important performance indicators, and it will continue developing business aimed at the further strengthening of profitability going forward. In addition, the Group will conduct R&D, etc., to secure technological advantages in an aim to further increase corporate value.

(3) Medium to Long-term Business Strategies of the Company

The Group will construct a stable supply structure for high-performance products through capital investments in line with demand trends in order to fulfill its responsibility to provide supply in response to separator demand that will grow in the future as an independent separator manufacturer and will develop a broad range of customers including major and emerging battery manufacturers. In addition, the Group's business strategy is to establish an organization and development capability with a strong corporate structure that makes it possible to respond immediately to changes in the business environment in order to become a company that can expand business even in a challenging operating environment.

The Group's medium-term vision is to achieve the top global share in the lithium-ion secondary battery separator market in the future.

(4) Issues to Be Addressed of the Company

The Group needs to stabilize the supply of products to customers to which we have recorded sales up until the fiscal year 2016, secure sales volumes with customers that have given approvals to our products, and also develop new products in response to demand for higher performance and higher quality from the market. In order to achieve this, the Group is addressing the following points as priority issues.

(i) Securing human resources and employee education

The Group believes that the development of outstanding engineers with a broad range of expertise and experience in lithium-ion secondary battery separator manufacturing technology is essential for the Group's strategy from a medium to long-term perspective. For this reason, in addition to securing immediate strength through mid-career recruitment, the Group is actively engaged in hiring new graduates, including those from overseas. Going forward, the Group will maintain and improve employee motivation through the enhancement of incentive systems including a stock option plan, establish a training system, and strengthen the education system by providing OJT.

(ii) Increasing new customers

The Group manufactures lithium-ion secondary battery separators and conducts sales activities to customers based in Japan, other parts of Asia, and the US. Going forward, the Group will strengthen marketing activities as it works to increase transactions with major customers that manufacture lithium-ion secondary batteries.

(iii) Procuring funds

The Group expects demand for products to continually increase in the future, and as such it views procuring funds for manufacturing capital investments, R&D investments, and increasing working capital to be an important issue, and accordingly the Group will continue to work to enhance and strengthen its financial base going forward.

Under the Group’s fund procurement policy, funds for manufacturing capital investments, R&D investments, and working capital are procured mainly through the stock market and loans from financial institutions as a general rule.

(iv) Strengthening of the production structure

In the lithium-ion secondary battery industry to which the Group supplies lithium-ion secondary battery separators, demand is increasing for lithium-ion secondary batteries due to the stable expansion of CE applications combined with the full-fledged development of transportation applications, and growth is expected to continue.

In order to achieve an even more independent management than in the past in response to this increasing demand, it is necessary to work to strengthen production capacity by conducting timely capital investments in line with market expansion with funds procured through a variety of means.

Specifically, in South Korea that serves as our production base, we will strive to expand production capacity while responding to expanding customer demand in a timely manner.

4. Basic Views on Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group prepares its consolidated financial statements using Japanese GAAP for the time being.

Regarding the application of IFRS, the Group’s policy is to respond appropriately based on consideration of the situation in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and bank deposits	3,948,636	10,508,504
Notes and accounts receivable - trade	1,546,383	2,030,848
Merchandise and finished goods	530,828	659,606
Raw materials and supplies	197,071	247,724
Other	216,834	371,601
Total current assets	6,439,754	13,818,287
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,161,205	3,341,254
Accumulated depreciation	(370,539)	(458,212)
Buildings and structures, net	1,790,665	2,883,042
Machinery, equipment and vehicles	10,066,876	13,817,569
Accumulated depreciation	(3,673,481)	(4,472,308)
Machinery, equipment and vehicles, net	6,393,394	9,345,260
Construction in progress	2,077,069	3,953,474
Other	194,201	245,837
Accumulated depreciation	(126,720)	(141,095)
Other, net	67,481	104,742
Total tangible fixed assets	10,328,610	16,286,519
Intangible fixed assets		
Other	61,297	52,363
Total intangible fixed assets	61,297	52,363
Investments and other assets		
Deferred tax assets	197,633	211,238
Other	20,650	26,144
Total investments and other assets	218,284	237,382
Total fixed assets	10,608,192	16,576,265
Total assets	17,047,946	30,394,553

(Thousand yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	57,679	68,783
Short-term debt	100,000	100,000
Current portion of long-term debt	287,700	1,317,492
Accounts payable - other	483,277	612,376
Income taxes payable	226,746	397,694
Deferred tax liabilities	38,942	135,938
Other	113,766	104,819
Total current liabilities	1,308,112	2,737,103
Fixed liabilities		
Long-term debt	3,112,300	6,628,135
Net defined benefit liability	104,571	184,772
Deferred tax liabilities	92	41
Other	117,783	174,036
Total fixed liabilities	3,334,747	6,986,985
Total liabilities	4,642,859	9,724,089
Net assets		
Shareholders' equity		
Capital	4,131,720	7,633,456
Capital surplus	4,077,720	7,579,456
Retained earnings	2,328,962	4,132,124
Treasury shares	(72)	(360)
Total shareholders' equity	10,538,330	19,344,676
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,821,756	1,263,814
Total accumulated other comprehensive income	1,821,756	1,263,814
Stock warrants	45,000	61,972
Total net assets	12,405,087	20,670,463
Total liabilities and net assets	17,047,946	30,394,553

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Sales volume	7,448,181	9,048,159
Cost of goods sold	4,504,452	5,651,678
Gross profit	2,943,728	3,396,481
Selling, general and administrative expenses	961,096	1,025,518
Operating profit	1,982,632	2,370,962
Non-operating revenue		
Interest income	3,697	2,997
Foreign exchange gains	-	124,783
Gain on donation of assets	14,034	31,907
Subsidy income	104,196	104,148
Other	7,645	3,179
Total non-operating revenue	129,574	267,016
Non-operating expenses		
Interest expenses	17,931	41,038
Foreign exchange losses	16,736	-
Share issuance cost	-	38,787
Commission fee	21,592	76,933
Other	1,469	1,234
Total non-operating expenses	57,730	157,995
Ordinary profit	2,054,476	2,479,983
Net profit before taxes and other adjustment	2,054,476	2,479,983
Income taxes- current	266,531	463,091
Income taxes - deferred	(41,857)	71,664
Total income taxes	224,674	534,756
Net profit	1,829,801	1,945,227
Net profit attributable to non-controlling interests	-	-
Net profit attributable to owners of parent	1,829,801	1,945,227

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Net profit	1,829,801	1,945,227
Other comprehensive income		
Foreign currency translation adjustment	(594,341)	(557,942)
Total other comprehensive income	(594,341)	(557,942)
Comprehensive income	1,235,460	1,387,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,235,460	1,387,285
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended December 31, 2015

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,119,445	4,065,445	499,160	-	8,684,050
Changes of items during period					
Issuance of new shares	12,275	12,275			24,550
Net profit attributable to owners of parent			1,829,801		1,829,801
Purchase of treasury shares				(72)	(72)
Net changes of items other than shareholders' equity					
Total changes of items during period	12,275	12,275	1,829,801	(72)	1,854,279
Balance at end of current period	4,131,720	4,077,720	2,328,962	(72)	10,538,330

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	2,416,098	2,416,098	45,000	11,145,149
Changes of items during period				
Issuance of new shares				24,550
Net profit attributable to owners of parent				1,829,801
Purchase of treasury shares				(72)
Net changes of items other than shareholders' equity	(594,341)	(594,341)	-	(594,341)
Total changes of items during period	(594,341)	(594,341)	-	1,259,937
Balance at end of current period	1,821,756	1,821,756	45,000	12,405,087

For the fiscal year ended December 31, 2016

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,131,720	4,077,720	2,328,962	(72)	10,538,330
Changes of items during period					
Issuance of new shares	3,501,736	3,501,736			7,003,472
Dividends of surplus			(142,065)		(142,065)
Net profit attributable to owners of parent			1,958,172		1,945,227
Purchase of treasury shares				(288)	(288)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,501,736	3,501,736	1,803,162	(288)	8,806,346
Balance at end of current period	7,633,456	7,579,456	4,132,124	(360)	19,344,676

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	1,821,756	1,821,756	45,000	12,405,087
Changes of items during period				
Issuance of new shares				7,003,472
Dividends of surplus				(142,065)
Net profit attributable to owners of parent				1,945,227
Purchase of treasury shares				(288)
Net changes of items other than shareholders' equity	(557,942)	(557,942)	16,972	(540,970)
Total changes of items during period	(557,942)	(557,942)	16,972	8,265,376
Balance at end of current period	1,263,814	1,263,814	61,972	20,670,463

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Cash flows from operating activities		
Net profit before taxes and other adjustment	2,054,476	2,479,983
Depreciation	921,039	1,134,672
Interest and dividends income	(3,697)	(2,997)
Interest expenses	17,931	41,038
Foreign exchange losses (gains)	80,007	(84,805)
Share issuance cost	-	38,787
Decrease (increase) in notes and accounts receivable - trade	(522,010)	(493,389)
Decrease (increase) in inventories	107,959	(220,290)
Increase (decrease) in notes and accounts payable - trade	30,815	14,319
Increase (decrease) in accounts payable - other	6,493	48,885
Other, net	46,990	95,208
Subtotal	2,740,006	3,051,411
Interest and dividend income received	3,697	2,997
Interest expenses paid	(13,577)	(30,567)
Income taxes paid	(62,002)	(294,352)
Net cash provided by (used in) operating activities	2,668,124	2,729,488
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	500,000	-
Purchase of tangible fixed assets	(4,005,514)	(7,412,659)
Other, net	(56,625)	(47,547)
Net cash provided by (used in) investing activities	(3,562,140)	(7,460,206)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(2,500,000)	-
Proceeds from long-term debt	3,500,000	5,000,000
Repayment of long-term debt	(100,000)	(454,373)
Proceeds from issuance of common shares	-	6,956,834
Proceeds from exercise of share options	24,550	7,850
Proceeds from issuance of subscription rights to shares	-	16,972
Cash dividends paid	-	(142,065)
Other, net	(433)	(593)
Net cash provided by (used in) financing activities	924,116	11,384,625
Effect of exchange rate change on cash and cash equivalents	(79,867)	(94,038)
Net increase (decrease) in cash and cash equivalents	(49,767)	6,559,868
Cash and cash equivalents at beginning of period	3,998,403	3,948,636
Cash and cash equivalents at end of period	3,948,636	10,508,504

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Important matters that form the basis for preparing Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries have been consolidated.

Number of consolidated subsidiaries: 4

Names of the consolidated subsidiaries:

W-SCOPE KOREA CO., LTD.

W-SCOPE CHUNGJU PLANT CO., LTD.

W-SCOPE HONGKONG CO., LIMITED

W-SCOPE New Energy (Shenzhen) Co., Limited

Among the above, W-SCOPE CHUNGJU PLANT CO., LTD. was established during the fiscal year ended December 31, 2016, and is included in the scope of consolidation.

Disclosures of items other than the above have been omitted since there have been no major changes from the most recent Securities Report (submitted on March 24, 2016).

(Changes in accounting policies)

(Application of Accounting Standard for Business Combinations, etc.)

Starting from the fiscal year ended December 31, 2016, the Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and others. Accordingly, the Company has changed the presentation of net profit and other related items, and the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, reclassifications of accounts have been made to the Consolidated Financial Statements for the fiscal year ended December 31, 2015.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) starting from the fiscal year ended December 31, 2016. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This change has no impact on the Consolidated Financial Statements for the fiscal year ended December 31, 2016.

(Changes in the method of presentation)

(Consolidated Statements of Income)

Starting from the fiscal year ended December 31, 2016, gain on sales of scraps, which was previously stated under non-operating revenue, is now a deduction item from cost of goods sold. This change in presentation is in line with the modification to the Company's policy for cost management including scraps as part of cost components, in keeping with an increase in the amount of such gain led by production growth in recent years, and also due to an expected rise in the volume of scraps boosted by future expansion of production lines.

As a result, ¥73,330 thousand presented as gain on sales of scraps under non-operating revenue in the Consolidated Statements of Income for the fiscal year ended December 31, 2015 was deducted from cost of goods sold.

Starting from the fiscal year ended December 31, 2016, gain on donation of assets, which had been included in "other" under non-operating revenue in the fiscal year ended December 31, 2015, is stated separately due to its increasing monetary significance. The Consolidated Financial Statements for the fiscal year ended December 31, 2015 have been reclassified in order to reflect this change in presentation.

As a result, ¥21,679 thousand presented as "other" under non-operating revenue in the Consolidated Statements of Income for the fiscal year ended December 31, 2015 has been reclassified as gain on donation of assets of ¥14,925 thousand and "other" of ¥6,754 thousand.

(Segment information)

(Segment information)

1. Description of reportable segments

The Company and its consolidated subsidiaries comprise a single segment of lithium-ion secondary battery separators business. Hence the statement is omitted, as there are no other segments to be disclosed.

(Related information)

- For the fiscal year ended December 31, 2015

(i) Information by product and service

This statement is omitted, as sales volume of a single product or service to outside customers exceeded 90% of total sales volume in the Consolidated Statements of Income.

(ii) Information by geographical area

(1) Sales volume

(Thousand yen)

Japan	Asia	North America	Total
64,149	6,181,667	1,202,364	7,448,181

(Note) Sales volume are classified by country or area based on the locations of customers.

(2) Tangible fixed assets

(Thousand yen)

Japan	Asia	Total
5,566	10,323,044	10,328,610

(iii) Information by major customer

(Thousand yen)

Name of customer	Sales volume	Related segments
Dongguan Xuran Electronics Co., Ltd.	2,435,814	Lithium-ion secondary battery separators
LG Group	1,670,732	Lithium-ion secondary battery separators
Tianjin Lishen Battery Joint-Stock Co., Ltd.	786,216	Lithium-ion secondary battery separators

- For the fiscal year ended December 31, 2016

(i) Information by product and service

This statement is omitted, as sales volume of a single product or service to outside customers exceeded 90% of total sales volume in the Consolidated Statements of Income.

(ii) Information by geographical area

(1) Sales volume

(Thousand yen)

Japan	Asia	North America	Total
321,925	8,246,592	479,642	9,048,159

(Note) Sales volume are classified by country or area based on the locations of customers.

(2) Tangible fixed assets

(Thousand yen)

Japan	Asia	Total
5,352	16,281,167	16,286,519

(iii) Information by major customer

(Thousand yen)

Name of customer	Sales volume	Related segments
LG Group	3,399,318	Lithium-ion secondary battery separators
Dongguan Xuran Electronics Co., Ltd.	2,938,676	Lithium-ion secondary battery separators

(Information concerning impairment loss on fixed assets by reportable segment)

There is no relevant information.

(Amortization and unamortized balance of goodwill by reportable segment)

There is no relevant information.

(Gain on bargain purchase by reportable segment)

There is no relevant information.

(Per share information)

	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Net assets per share	¥435.01	¥665.73
Net profit per share	¥64.52	¥65.28
Diluted net profit per share	¥62.08	¥61.46

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

The basis for the calculation of net profit per share and diluted net profit per share is as follows.

	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Net profit per share		
Net profit attributable to owners of parent (Thousand yen)	1,829,801	1,945,227
Amount not attributable to common shareholders (Thousand yen)	—	—
Net profit attributable to owners of parent relating to common shares (Thousand yen)	1,829,801	1,945,227
Average number of common shares during each fiscal year (Shares)	28,360,140	29,797,736
Diluted net profit per share		
Adjustment for net profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of common shares (Shares)	1,113,944	1,853,934
(Stock warrants included in the above (Shares))	(1,113,944)	(1,853,934)
Overview of potential shares not included in calculation of diluted net profit per share due to lack of dilutive effect	—	—

(Significant subsequent events)

There is no relevant information.

6. Others

(1) Production, Orders and Sales

(i) Production

Production for the fiscal year under review was as follows.

Business segment	For the fiscal year ended December 31, 2016	
	Production amount (Thousand yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	5,843,371	132.5
Total	5,843,371	132.5

(Notes) 1. Statement regarding production associated with segment information is omitted, as the Company and its consolidated subsidiaries comprise a single segment of lithium-ion secondary battery separators business.
2. Amounts are based on manufacturing costs.
3. The amounts indicated above do not include consumption taxes and other taxes.

(ii) Orders received

While the Group's products are basically made to order, due to the short period of time from production to delivery, actual production is conducted by means of a forecast-based production process based on the information of monthly or quarterly purchase plans of the customers, and by taking into account past orders and production capacity. Therefore, it is difficult to calculate orders and order backlog and consequently order information is omitted.

(iii) Sales

Sales for the fiscal year under review were as follows.

Business segment	For the fiscal year ended December 31, 2016	
	Sales amount (Thousand yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	9,048,159	121.5
Total	9,048,159	121.5

(Notes) 1. Statement regarding sales associated with segment information is omitted, as the Company and its consolidated subsidiaries comprise a single segment of lithium-ion secondary battery separators business.

2. Sales to major customers and ratio of such sales to total sales

Customer	For the fiscal year ended December 31, 2015		For the fiscal year ended December 31, 2016	
	Sales amount (Thousand yen)	Ratio (%)	Sales amount (Thousand yen)	Ratio (%)
LG Group	1,670,732	22.4	3,399,318	37.4
Dongguan Xuran Electronics Co., Ltd.	2,435,814	32.7	2,938,676	32.3
Tianjin Lishen Battery Joint-Stock Co., Ltd.	786,216	10.6	—	—

3. The amounts indicated above do not include consumption taxes and other taxes.
4. Information on sales to Tianjin Lishen Battery Joint-Stock Co., Ltd., LLC for the fiscal year ended December 31, 2016 is omitted as the ratio of such sales to total sales was less than 10%.
5. LG Group includes LG Electronics Inc. and LG Chem, Ltd.

(2) Estimated Capital Investments

Estimated capital investments

Name of company	Name of office (Location)	Details of the facilities	Scheduled investment amount		Financing method	Commence-ment date	Scheduled completion date	Increase in capacity after completion
			Total (Thousand yen)	Amount already paid (Thousand yen)				
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Production Lines #8 and #9	5,049,773	2,519,605	Own funds and bank borrowings	February 2016	During 2017	Approx. 30% increase in production
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Coating Production Lines #3 and #4	1,194,280	243,022	Own funds and bank borrowings	September 2016	During the second quarter of FY2017	Approx. 200% increase in processing production
W-SCOPE CHUNGJU PLANT CO., LTD.	Head Office (Chungju-si, Chungbuk, Republic of Korea)	Production Lines #10 and #11	7,720,740	738,295	Own funds, fund for capital increase and bank borrowings	October 2016	During 2018	Approx. 40% increase in production

(Notes) 1. The amounts indicated above do not include consumption taxes and other taxes.
2. Statement by segment is omitted, as the Company and its consolidated subsidiaries comprise a single segment of lithium-ion secondary battery separators business.
3. “Increase in capacity after completion” is stated relative to the end of the fiscal year under review.
4. The major new facilities whose establishment was scheduled at the end of the previous fiscal year and have been completed are as follows:

Name of company	Name of office (Location)	Details of the facilities	Investment amount (Thousand yen)	Completion date	Increase in capacity after completion
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Production Lines #6 and #7	3,597,627	September 2016	Approx. 15% increase in production
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Production Line #5	1,848,797	December 2016	Approx. 15% increase in production

5. “Increase in capacity after completion” is stated relative to the end of the previous fiscal year.