

**Consolidated Financial Results  
for the Six Months Ended June 30, 2017  
[Japanese GAAP]**



August 9, 2017

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 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6619  
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 Scheduled date of filing quarterly securities report: August 10, 2017  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly 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 Six Months Ended June 30, 2017 (January 1, 2017 to June 30, 2017)**

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

	Sales volume		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2017	4,490	0.2	355	(76.0)	165	(88.5)	139	(87.2)
June 30, 2016	4,480	42.0	1,481	132.1	1,433	96.0	1,089	69.3

(Note) Comprehensive income: Six months ended June 30, 2017: ¥518 million [- %]

Six months ended June 30, 2016: ¥(1,001) million [- %]

	Net profit per share	Diluted net profit per share
Six months ended	Yen	Yen
June 30, 2017	4.48	4.30
June 30, 2016	38.06	35.79

(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
	Million yen	Million yen	%
As of June 30, 2017	37,540	21,160	56.2
As of December 31, 2016	30,394	20,670	67.8

(Reference) Equity: As of June 30, 2017: ¥21,116 million

As of December 31, 2016: ¥20,608 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2016	Yen -	Yen 0.00	Yen -	Yen 2.50	Yen 2.50
Fiscal year ending December 31, 2017	-	0.00			
Fiscal year ending December 31, 2017 (Forecast)			-	2.50	2.50

(Note) Revision to the forecast for dividends announced most recently: No

## 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	10,000	10.5	1,000	(57.8)	800	(67.7)	600	(69.2)	19.30

(Note) Revision to the financial results forecast announced most recently: No

### \* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No  
New: - companies (company name), Excluded: - companies (company name)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

June 30, 2017: 31,141,600 shares

December 31, 2016: 30,956,600 shares

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

June 30, 2017: 223 shares

December 31, 2016: 223 shares

3) Average number of shares during the period:

Six months ended June 30, 2017: 31,081,399 shares

Six months ended June 30, 2016: 28,634,821 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.

\* These quarterly financial results are outside the scope of quarterly review.

\* 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. Qualitative Information on Quarterly Financial Results for the Period under Review (1) Explanation of Operating Results” on page 2 of the Appendix.

(Change in unit of presentation)

The amounts of the accounts presented in quarterly consolidated financial statements and other items were previously stated in thousands of yen, but starting from the first quarter and the three months ended March 31, 2017, are stated in millions of yen, as a change in unit. Accordingly, the amounts presented for the previous fiscal year and the six months ended June 30, 2016 are also stated in millions of yen to facilitate comparison.

(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, August 9, 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.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

In the global economy during the six months ended June 30, 2017, the US economy showed marked improvement in employment with brighter business conditions in the manufacturing industry and is expected to recover going forward, and the European economy has continued a solid recovery. In China, growth continued despite a slowdown in economic growth on the back of lower growth rates in domestic production, imports/exports and others.

Under these circumstances, the market scale of the W-SCOPE Group's (hereinafter, the "Group") core lithium-ion secondary battery separators business continued stable growth. In consumer electronics applications, which account for 60% of the entire market, smartphone batteries and power system applications have led the market. EV related applications, which are showing accelerated growth, have expanded their market share to approximately 40%, and the Company regards the six months ended June 30, 2017 as a preparatory period for capturing a rapid increase in demand by the European and the US markets from next year.

In the Chinese market, although demand for battery materials has shown a recovery trend with an announcement of a list of EV (electric vehicles) and EV buses eligible for subsidies in June 2017 and publication of subsidy standards by local governments, the market is expected to be activated in and after the third quarter ending September 30, 2017. In Europe, the US and Japan, demand for EV and hybrid vehicles (PHEV and HEV) is on an expansionary track in step with the environmental protection policies of each country, and the Company is preparing to design and establish a higher manufacturing capacity for large-scale increases in production from the middle of the next year. Under this market environment, the Company continues to improve its production lines and manufacturing environment in the plants with a view to pursuing separators with higher quality and stability that ensure safety of lithium-ion batteries. In addition, the Company is focusing on further improvement in productivity to reduce production costs.

Sales volume in the Chinese market, the Group's main sales region, for the six months ended June 30, 2017 was ¥2,069 million, down 18.6% compared to the same period of the previous fiscal year, as the number of sales decreased year on year. This was due to the Chinese government's drastic transformation of its subsidy policies in the EV-related market coinciding with the reviewing period for design and development of lithium-ion batteries eligible for subsidies. Sales in South Korea were ¥1,586 million, down 1.3% compared to the same period of the previous fiscal year, despite sales to the LG Group increased. Meanwhile, sales to Japanese customers were ¥794 million, up 1,351.2% compared to the same period of the previous fiscal year due to continuing growth in sales to Sony Energy Devices Group companies. As a result, during the six months ended June 30, 2017, sales volume increased compared to the same period of the previous fiscal year. However, operating profit fell significantly from the same period of the previous fiscal year as a result of larger sample shipments to new customers, in addition to a higher depreciation burden of expanded production lines, higher expenses resulting from prior employment of personnel, and the occurrence of repair costs and lower productivity by continuing renovation of production lines and plants to improve product quality with an eye on sales for the automobile market from the next year. Also, operating profit was reduced as a result of an increase in cost of goods sold mainly due to the appreciation of the Korean won against the US dollar and yen.

Average exchange rates for the six months ended June 30, 2017 were ¥112.38 to the US dollar, a depreciation of approximately ¥0.81 compared to the same period of the previous fiscal year, 1,142.06 Korean won to the US dollar, an appreciation of 40.15 Korean won compared to the same period of the previous fiscal year and ¥98.4 for 1,000 Korean won, a depreciation of approximately ¥4.0 compared to the same period of the previous fiscal year.

In this environment, sales volume grew by ¥10 million or 0.2% compared to the same period of the previous fiscal year to ¥4,490 million. Meanwhile, operating profit decreased by ¥1,126 million or 76.0% compared to

the same period of the previous fiscal year to ¥355 million, net profit before taxes and other adjustment decreased by ¥1,259 million or 87.9% compared to the same period of the previous fiscal year to ¥173 million, and net profit attributable to owners of parent decreased by ¥950 million or 87.2% compared to the same period of the previous fiscal year to ¥139 million.

## (2) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The global economy for the six months ended June 30, 2017 and thereafter is expected to continue on a steady recovery trend.

In the separators market, significant expansion is expected to continue, driven mainly by stable growth of consumer electronics applications and an increase in applications, and an expansion of demand for EV-related applications in China. Furthermore, in the medium term, demand from the automobile industries in Europe and the US is expected to increase.

Under such circumstances, as demand from existing main customers and new customers has increased, the Group, in the second half of the fiscal year ending December 31, 2017, plans to stably expand sales to each customer by improving product quality and mass production capability as well as developing a system to further increase production capacity, aiming at increased sales.

In consumer electronics applications for existing main customers, in addition to a stable increase in sales volume of existing projects, acquisition of new projects is expected, along with the anticipated increase in sales volume due to commencement of business transactions with new customers.

As for EV-related applications, in view of increasing mass production capability and reducing product prices, the Company started sample production at the newly installed large-scale production line (Line #8). Furthermore, installation of Production Line #9 remained on track. As these lines are expected to commence operation during the fourth quarter of this fiscal year, the Company has promoted preparation for full-fledged mass production from the next year.

In addition, construction of a new manufacturing subsidiary is well underway, and the Company has been preparing to commence operation of Production Lines #10 and #11 in the first half of the next fiscal year.

The projected average exchange rates for the second half of the fiscal year ending December 31, 2017 and thereafter as the premise for the financial results forecast are ¥110.0 to the US dollar, 1,100.0 Korean won to the US dollar, and ¥100.0 for 1,000 Korean won.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2016	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and bank deposits	10,508	11,299
Notes and accounts receivable – trade (net)	2,030	1,844
Merchandise and finished goods	659	864
Raw materials and supplies	247	284
Other	371	585
Total current assets	13,818	14,877
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,341	4,640
Accumulated depreciation	(458)	(536)
Buildings and structures, net	2,883	4,104
Machinery, equipment and vehicles	13,817	14,435
Accumulated depreciation	(4,472)	(5,242)
Machinery, equipment and vehicles, net	9,345	9,193
Construction in progress	3,953	8,901
Other	245	292
Accumulated depreciation	(141)	(161)
Other, net	104	131
Total tangible fixed assets	16,286	22,331
Intangible fixed assets		
Other	52	58
Total intangible fixed assets	52	58
Investments and other assets		
Deferred tax assets	211	246
Other	26	27
Total investments and other assets	237	273
Total fixed assets	16,576	22,662
Total assets	30,394	37,540

(Million yen)

	As of December 31, 2016	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	68	101
Short-term debt	100	3,471
Current portion of long-term debt	1,317	1,317
Accounts payable - other	612	753
Income taxes payable	397	63
Deferred tax liabilities	135	104
Other	104	77
Total current liabilities	2,737	5,889
Fixed liabilities		
Long-term debt	6,628	9,969
Net defined benefit liability	184	278
Deferred tax liabilities	0	0
Other	174	242
Total fixed liabilities	6,986	10,490
Total liabilities	9,724	16,380
<b>Net assets</b>		
Shareholders' equity		
Capital	7,633	7,666
Capital surplus	7,579	7,612
Retained earnings	4,132	4,194
Treasury shares	(0)	(0)
Total shareholders' equity	19,344	19,473
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,263	1,643
Total accumulated other comprehensive income	1,263	1,643
Stock warrants	61	44
Total net assets	20,670	21,160
Total liabilities and net assets	30,394	37,540



(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended June 30

(Million yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Sales volume	4,480	4,490
Cost of goods sold	2,455	3,483
Gross profit	2,025	1,007
Selling, general and administrative expenses	543	651
Operating profit	1,481	355
Non-operating revenue		
Interest income	1	2
Subsidy income	56	45
Gain on donation of assets	5	27
Other	1	2
Total non-operating revenue	66	77
Non-operating expenses		
Interest expenses	18	29
Foreign exchange losses	51	221
Share issuance cost	36	-
Commission fee	7	16
Other	1	1
Total non-operating expenses	115	268
Ordinary profit	1,433	165
Extraordinary profit		
Gain on reversal of stock warrants	-	8
Total extraordinary profit	-	8
Net profit before taxes and other adjustment	1,433	173
Income taxes	343	34
Net profit	1,089	139
Net profit attributable to non-controlling interests	-	-
Net profit attributable to owners of parent	1,089	139

Quarterly Consolidated Statements of Comprehensive Income

Six months ended June 30

(Million yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Net profit	1,089	139
Other comprehensive income		
Foreign currency translation adjustment	(2,091)	379
Total other comprehensive income	(2,091)	379
Comprehensive income	(1,001)	518
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,001)	518
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Cash flows from operating activities		
Net profit before taxes and other adjustment	1,433	173
Depreciation	498	800
Increase (decrease) in allowance for doubtful accounts	-	11
Interest and dividends income	(1)	(2)
Interest expenses	18	29
Share issuance cost	36	-
Foreign exchange losses (gains)	91	(9)
Gain on reversal of stock warrants	-	(8)
Decrease (increase) in notes and accounts receivable - trade	(209)	222
Decrease (increase) in inventories	(183)	(223)
Increase (decrease) in notes and accounts payable - trade	3	31
Increase (decrease) in accounts payable - other	11	(3)
Other, net	0	(71)
Subtotal	1,698	950
Interest and dividend income received	1	2
Interest expenses paid	(15)	(22)
Income taxes paid	(222)	(442)
Net cash provided by (used in) operating activities	1,461	489
Cash flows from investing activities		
Purchase of tangible fixed assets	(4,673)	(6,351)
Other, net	(8)	(12)
Net cash provided by (used in) investing activities	(4,681)	(6,363)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	3,240
Proceeds from long-term debt	4,000	4,000
Repayment of long-term debt	(100)	(658)
Proceeds from issuance of common shares	6,959	-
Proceeds from exercise of share options	4	57
Proceeds from issuance of subscription rights to shares	16	-
Cash dividends paid	(142)	(77)
Other, net	0	-
Net cash provided by (used in) financing activities	10,738	6,561
Effect of exchange rate change on cash and cash equivalents	(221)	103
Net increase (decrease) in cash and cash equivalents	7,296	790
Cash and cash equivalents at beginning of period	3,948	10,508
Cash and cash equivalents at end of period	11,244	11,299

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by first reasonably estimating the effective tax rate after applying tax effect accounting against net profit before taxes and other adjustment for the current fiscal year, and then multiplying net profit before taxes and other adjustment by the estimated effective tax rate.

In case it is impossible to reasonably estimate the effective tax rate, tax expenses are calculated in a manner similar to the calculation of tax expenses for the fiscal year. Deferred tax assets and deferred tax liabilities are recorded on the Quarterly Consolidated Balance Sheets after assessing recoverability and other factors.

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting from the three months ended March 31, 2017, the Company has applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

### 3. Supplementary Information

#### (1) Sales

##### Sales

Sales for the six months ended June 30, 2017 were as follows.

Business segment	For the six months ended June 30, 2017	
	Sales amount (Million yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	4,490	100.2
Total	4,490	100.2

(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 were as follows.

Customer	For the six months ended June 30, 2016		For the six months ended June 30, 2017	
	Sales amount (Million yen)	Ratio (%)	Sales amount (Million yen)	Ratio (%)
LG Group	1,517	33.9	1,527	34.0
Dongguan Xuran Electronics Co., Ltd.	1,539	34.4	1,443	32.1
Sony Energy Devices Group	—	—	780	17.4

3. The amounts indicated above do not include consumption taxes and other taxes.

4. Information on sales to Sony Energy Devices Group for the six months ended June 30, 2016 is omitted as the ratio of such sales to total sales was less than 10%.

5. LG Group includes LG Chem, Ltd. Sony Energy Devices Group includes Sony Electronics (Wuxi) Co., Ltd. and Sony Electronics (Singapore) Pte. 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 (Million yen)	Amount already paid (Million yen)				
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Production Lines #8 and #9	6,480	6,499	Own funds and bank borrowings	February 2016	During the second half of 2017	Approx. 60% increase in production
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Coating Production Lines #3 and #4	1,558	1,441	Own funds and bank borrowings	September 2016	During the third quarter of FY2017	Approx. 200% increase in processing production
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Coating Production Lines #5 and #6	688	127	Own funds and bank borrowings	February 2017	During the fourth 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	8,817	2,061	Own funds, fund for capital increase and bank borrowings	October 2016	During the first half of 2018	Approx. 60% 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 previous fiscal year.