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 Stock Exchange Listing: Tokyo Stock Exchange Section I
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Notice of Difference between the FY19 HI Forecast and the Actual Results, and Revision of Full-Year Guidance

W-Scope Corporation announces that there is difference between the earnings forecast and the actual results announced today for the period between 1 January 2019 and 30 June 2019, as shown in the table below. Given the results for the first 6 months of current fiscal year, the full-year earnings guidance announced on 14 February 2019 is also revised as below;

Difference between forecast and actual results for the period between 1 January 2019 and 30 June 2019

	Revenue	Operating profit	Recurring profit	Net Profit attributable to owners of parent	EPS for the period
	(¥million)	(¥million)	(¥million)	(¥million)	(¥)
Previous guidance (A)	6,500	△200	△500	△500	△15.99
Revised guidance (B)	5,798	△2,415	△2,775	△2,466	△78.75
Difference (B-A)	△701	△2,215	△2,275	△1,966	
Difference (%)	△10.8	—	—	—	
FY18 HI earnings	4,227	△875	△632	△520	△16.68

Revision for the full-year guidance for the period between 1 January 2018 and 31 December 2018

	Revenue	Operating profit	Recurring profit	Net Profit attributable to owners of parent	EPS for the period
	(¥million)	(¥million)	(¥million)	(¥million)	(¥)
Previous guidance (A)	17,500	800	400	300	9.60
Revised guidance (B)	13,000	△2,600	△3,400	△3,000	△95.79
Difference (B-A)	△4,500	△3,400	△3,800	△3,300	
Difference (%)	△25.7	—	—	—	
FY18 earnings	8,731	△3,348	△3,305	△2,861	△91.53

< Reasons for revision >

Sales trended as expected between Jan and May this year. However, on the back of the US-China trade friction, sales of separator for consumer applications shipped to our customer's plant in China started slowing down from June. Rapid decline in export from China to US started negatively influencing our business, for lithium-ion battery manufactured by our customer in China is either directly exported to US or equipped in appliances made in China.

In supply to automotive lithium-ion battery makers that subsequently supply to European OEM makers, introduction of large-scale production lines, sample shipment to several battery makers and approval for production lines progressed in accordance with our roadmap. From Q2 this year, volume shipment commenced in some projects, which is estimated to increase sales in H2 as projected at the beginning of the year.

Operating loss is revised on the back of sales decline from June as mentioned above. Furthermore, sample shipment and production line approval process that were originally expected in H2 were brought forward to H1, leading to increase in development cost, a component of COGS.

< Outlook for Q3 onwards >

For reasons explained below, FY19 earnings guidance announced on 14 February 2019 is revised;

Our customer, whose battery plant in China is facing impact from the US-China trade friction, plans to shift its production from China. During this process, our sample and production lines have to newly go through approval process before starting to supply in volume. On the back of this, H2 sales is largely revised down amid unlikelihood of sales recovery in the short term. As a result, sales to consumer applications was revised down from ¥12,800mil to ¥8,000mil. Sales decline in consumer applications should be partially offset by full-fledged shipment to the automotive battery makers that should start in Q4. In total, FY19 sales is revised from ¥17,500mil to ¥13,000mil.

Operating profit was revised accordingly, from ¥800mil (in profit) to operating loss ¥2,600. Recurring profit and net profit are also revised accordingly.

FOREX assumption for the second half of this fiscal year are; ¥105/US\$, KR₩1,120/\$ and ¥93.75/KR₩1000.

Disclaimer regarding earnings guidance

Earnings guidance was made based on currently available information. The actual results may differ from the guidance due to various factors that may occur in the future.