12 February 2020

Company Name: W-Scope Corporation
Stock Exchange Listing: Tokyo Stock Exchange Section 1
Representative: Won-Kun Choi, President & CEO
Contact: Hideo Ouchi, Director of Corporate Strategy & Planning
TEL: +81-(0)3-5436-7155

Notice of reporting non-operating expense (revaluation loss of options) and extraordinary loss (impairment cost)

This is to notify that W-Scope Corporation is reporting non-operating cost and extraordinary cost in FY2020 earnings results as per below:

1. Non-operating cost
   In FY20 earnings results, revaluation loss of options in total of ¥2,800mil will be reported as a non-operating loss. One of our subsidiaries, W-SCOPE CHUNGJU PLANT CO., LTD (WCP) issued convertible bonds (CBs) with options in FY19 and FY20. Change in the options' fair value since the issuance of the CBs until the end of FY20 is recognised as a revaluation loss of the options and reported as a non-operating cost. This is a non-cash cost hence will not affect FY20 cash flow.

2. Extraordinary Loss
   W-Scope Corporation is reporting an impairment loss of ¥5,000mil in FY20 earnings. During the first half of FY20, utilisation rate of the Group's factories were low due to a temporary slowdown of the global manufacturing activities under the pandemic. However, demand from our customers started recovering from September onwards and in Q4 alone, we saw an operating profit thanks to a significant growth in sales for the EV battery application. On the other hand, production facilities for consumer applications at our subsidiary W-SCOPE KOREA CO., LTD. (WSK) continued to generate an operating loss which indicated a need for an impairment. After a careful consideration of the future earnings potential of the said facilities, we came to a decision to report an impairment loss of ¥5,000mil as of the end of FY20.

   New production lines at WCP have been under construction to start a volume production from the second half of FY21 to meet an increasing demand from EV battery makers. We continue to increase production volume at WCP while concurrently aim to increase production volume for consumer applications including ESS (energy storage system) to improve profitability at WSK.

3. Impact to FY20 earnings
   The aforementioned non-operating cost and extraordinary cost are both reflected in the change in earnings forecast separately disclosed today. Option liability that is recorded on the balance sheet as of the end of FY20 will not cause any cash outflow in the future if the CBs are converted to common shares.

   Furthermore, due to the aforementioned impairment cost, depreciation cost will be reduced from FY21 onwards.