

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 Earnings Guidance Revision

W-Scope Corporation revises its full-year earnings guidance that was previously revised in 9 August 2017 as below:

Earnings guidance revision

Revision for the full-year guidance for the period between 1 Jan 2017 and 31 December 2017

	Sales	Operating Profit	Recurring Profit	Net Profit attributable to owners of parent	EPS
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous guidance (A)	10,000	1,000	800	600	19.30
Newly revised guidance (B)	9,517	274	(108)	(119)	(3.85)
Difference (B-A)	(482)	(725)	(908)	(719)	
Difference (%)	(4.8)	(72.5)	-	-	
Earnings results as of FY12/16	9,048	2,370	2,479	1,945	65.28

Reasons for revision

In the second half of this fiscal year, sales are expected to be in ¥0.5 billion short of previously revised guidance thanks to decline in demand amid change in EV battery specification for state-sponsored subsidy in China as well as drop in demand from smartphone market.

Furthermore, operating profit is expected to largely fall short of previously revised forecast due to continuously recurring costs to improve production environment in W-SCOPE KOREA (WSK), massive quantities of sample shipment for EV/PHEV battery makers that plan to accelerate mass production from the second half of 2018 and increase in variable costs related to large-size 8th and 9th production lines installed in 3Q this year. In details;

- Recurring increase in costs associated with improvement in production environment**
 1st-7th production lines operating under WSK continued shipment for EV market in China and consumer electronics markets in other regions to-date. WSK has been carrying out review process on product quality management as well as improvement works at each production process prior to anticipated rapid surge in sales to EV markets in the US and Europe. Because of these review and improvement works on production lines, productivity temporarily dropped, leading to circa ¥0.4bn short-fall in operating profit compared to previously revised guidance.
- Deliberate increase in sample shipment resulted in rising variable costs**
 Battery makers have common challenge – that is to secure core components for EV/PHEV lithium ion battery prior to anticipated shift to mass production from the second half of 2018. W-Scope purposefully continues to supply samples used at battery development stage for expanding customer base. Consequently, associated excess costs remain higher than previously expected, further pressuring operating profit by ¥0.1bn.
- Excess costs stemmed from two new production lines**
 A new large-scale production line, the 8th line, started test run in August 2017 and shipping a part of products as planned. Another new line, the 9th line, also commenced test run from November. Both lines together stemmed excess costs, in total of ¥0.2bn extra, thanks to test production to set up production standard and stabilize production quality.

In addition to the above 3 main reasons for earnings revision, stronger Korean Won vs. US dollar as of the end of December 2017 led to additional ¥0.2 billion foreign exchange loss for US dollar denominated receivables at our production subsidiary, likely to result in recurring loss this fiscal year.

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.