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Stock Exchange Listing: Tokyo Stock Exchange Section I
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Explanatory notes regarding going concern assumptions

This is to notify that explanatory notes regarding going concern assumptions will be added to FY19 annual security report (*Yukashokenhokokusho*) that is to be submitted on 27 March 2020. The details of the explanatory notes are as below;

W-Scope Corporation reported operating loss for the past 2 fiscal years. At the same time, we reported 3 consecutive years of recurring loss, which leaves us in breach of the debt covenants for long-term debt and convertible bonds. In the event that any of such breach occurs in respect of the Borrower, all obligations of the Borrower under the covenants shall be accelerated and become immediately due and payable. As a result, the ongoing situation raises significant doubts on the going concern assumptions.

To resolve such situation, we have been aiming to expand shipment to high-end automotive battery manufacturers who are under the long-term supply contract with us, improve utilisation rate of the production lines and reduce costs so that we can achieve profitability in FY20. On the financing front, we explained the situations to each creditor; all of which agreed to waive their rights to demand on acceleration of the loan repayment based on conditions that 1) loan guarantees are provided by the two Korean subsidiaries (W-SCOPE KOREA CO., LTD., and W-SCOPECHUNGJU PLANT CO., LTD), 2) the repayment conditions are reviewed, and 3) collateral is sufficiently provided. Those conditions are fully met, and a part of funding needed for the next one year has already been agreed with some financial institutions. However, the recent drastic fall in our stock price led us to realise that there will be a funding shortfall compared to what we initially expected. We plan to negotiate on the additional funding requirements with financial institutions.

Furthermore, debt guarantee by W-SCOPE CHUNGJU PLANT CO., LTD. requires agreement from the subsidiary's corporate bond holders, with whom we are currently under negotiation.

Due to the situations explained above, we acknowledge that there is a great uncertainty in going concern assumptions. The consolidated financial statements are created based on going concern assumptions and has not reflected any uncertainty that could potentially impact those assumptions.