Consolidated Financial Results for the Fiscal Year Ended December 31, 2015 [Japanese GAAP]

February 12, 2016

Company name: W-SCOPE Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 6619
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Scheduled date of Annual Shareholders' Meeting: March 23, 2016
Scheduled date of commencing dividend payments: March 24, 2016
Scheduled date of filing annual securities report: March 24, 2016
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual 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 Fiscal Year Ended December 31, 2015 (January 1, 2015 to December 31, 2015)

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

	Sales volume		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2015	7,448	64.7	1,909	474.5	2,054	195.6	1,829	246.1
December 31, 2014	4,522	66.4	332	-	695	479.4	528	284.5

(Note) Comprehensive income: Fiscal year ended December 31, 2015: ¥1,235 million [(0.7)%]
Fiscal year ended December 31, 2014: ¥1,243 million [(17.1)%]

	Net profit per share	Diluted net profit per share	Return on equity	Ordinary profit to total assets	Operating profit to sales volume
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2015	129.04	124.16	15.6	13.1	25.6
December 31, 2014	37.30	36.87	5.0	5.3	7.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2015: ¥ - million
Fiscal year ended December 31, 2014: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2015	17,047	12,405	72.5	870.03
As of December 31, 2014	14,374	11,145	77.2	783.26

(Reference) Equity: As of December 31, 2015: ¥12,360 million
As of December 31, 2014: ¥11,100 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2015	2,668	(3,562)	924	3,948
December 31, 2014	1,055	(1,565)	1,199	3,998

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2014	-	0.00	-	0.00	0.00	-	-	-
December 31, 2015	-	0.00	-	10.00	10.00	142	7.75	1.21
Fiscal year ending December 31, 2016 (Forecast)	-	0.00	-	5.00	5.00		3.55	

(Note) Breakdown of year-end dividend for fiscal year ended December 31, 2015:
Normal dividend: ¥5.00 Commemorative dividend: ¥5.00
For details, please refer to "1. Analysis of Operating Results and Financial Position (3) Dividend Policy and Payments for the Fiscal Years 2015 and 2016" on page 4 of the Appendix.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2016 (January 1, 2016 to December 31, 2016)

(% indicates changes from the previous corresponding period.)

	Sales volume		Operating profit		Ordinary profit		Net profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,000	26.7	800	32.5	800	9.4	700	8.7	49.37
Full year	10,000	34.3	2,100	10.0	2,100	2.2	2,000	9.3	141.04

*** 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) 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

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2015: 14,206,600 shares
December 31, 2014: 14,171,600 shares

2) Total number of treasury shares at the end of the period:
December 31, 2015: 43 shares
December 31, 2014: - shares

3) Average number of shares during the period:
Fiscal Year ended December 31, 2015: 14,180,070 shares
Fiscal Year ended December 31, 2014: 14,171,600 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2015 (January 1, 2015 to December 31, 2015)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales volume		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2015	1,266	112.5	(85)	-	1,253	429.0	1,216	430.4
December 31, 2014	596	302.2	(145)	-	236	(58.1)	229	(58.3)

	Net profit per share	Diluted net profit per share
Fiscal year ended	Yen	Yen
December 31, 2015	85.76	82.52
December 31, 2014	16.18	15.99

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2015	13,725	10,112	73.4	708.66
As of December 31, 2014	11,598	8,872	76.1	622.87

(Reference) Equity: As of December 31, 2015: ¥10,067 million
As of December 31, 2014: ¥8,827 million

* Presentation regarding the implementation status of the audit process

These financial results are outside the scope of audit process procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit process procedures for the consolidated financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results” on page 2 of the Appendix.

(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 Friday, February 12, 2016. 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. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating Results for the Fiscal Year 2015)

In the global economy during the fiscal year ended December 31, 2015, the US economy was strong throughout the full year, the European economy underwent a steady recovery, and economic stagnation heightened in China due to factors including adjustments from excessive capital investment. The global economy was sluggish overall as the growth rate fell below expectations.

Under these circumstances, in the W-SCOPE Group's (hereinafter, the "Group") core lithium-ion secondary battery separators business, stable growth continued despite the further maturing market in consumer electronics applications (hereinafter, "CE applications") that account for approximately 70% of the lithium-ion secondary battery market. In transportation equipment applications consisting of EV (electric vehicles) and HEV (hybrid vehicles) that are a new market for lithium-ion secondary batteries, market expansion was strong. This was mainly due to the steady performance of EV applications on a global level, led by the expansion of EV applications in China.

CE applications accounts for approximately 65% of sales volume at the Group. The market has continued to expand for these CE applications as a result of factors including an increase in the number of smartphones, the expanded capacity of lithium-ion batteries used in smartphones, and the spread of power tools.

In the Chinese market that accounts for 57.7% of consolidated sales volume, there was a full-fledged expansion of the new energy vehicles (EV and HEV) market. As a result, the Group's sales in the Chinese market were 144.0% year on year due to an expansion in CE applications as well as vehicular applications.

The US market that accounts for 16.1% of consolidated sales volume expanded steadily owing to a more active market for transportation equipment applications.

In the South Korean market, aggressive sales activities were conducted towards the leading South Korean battery manufacturer, the LG Group. As a result, sales towards the group were 230.4% compared to the previous fiscal year, accounting for 22.4% of sales volume.

Sales in Japan were delayed compared to initial expectations, and full-scale sales are expected from the fiscal year 2016.

Against a backdrop of robust demand from customers, the Group is continuing to increase production capacity. Line #4 shifted to mass production in August 2015. In addition, decisions were made to expand Line #5 and acquire Lines #6 and #7, and both have been implemented.

As a result, sales volume grew by ¥2,925,825 thousand or 64.7% compared to the previous fiscal year to ¥7,448,181 thousand, and it was possible to further diversify customers and sales regions.

In addition, R&D spending grew by ¥84,783 thousand compared to the previous fiscal year to ¥252,850 thousand as a result of technology development for ultra-thin films and heat resistance improvements, and the development of new applications for membrane film. Meanwhile, operating profit grew by ¥1,576,971 thousand compared to the previous fiscal year to ¥1,909,302 thousand. Non-operating revenue included subsidy income of ¥104,196 thousand, and as a result of the net profit before taxes and other adjustment grew by ¥1,540,830 thousand or 300.0% compared to the previous fiscal year to ¥2,054,476 thousand, and net profit grew by ¥1,301,145 thousand or 246.1% compared to the previous fiscal year to ¥1,829,801 thousand.

Average exchange rates during the fiscal year 2015 were ¥121.1 to the US dollar and ¥107.0 for 1,000 Korean won.

(Outlook for the Fiscal Year 2016)

In the lithium-ion secondary battery separators business that is the Group's core business, the lithium-ion secondary battery market can be expected to expand over the medium to long-term, and increased demand is also expected for separators that are one of the main components for lithium-ion secondary batteries. In addition, CE applications are expected to stably expand over the short term, and increase in the pace of expansion of transportation equipment applications is projected. Underpinned by these factors, continued marked growth in

the lithium-ion secondary battery separator market is expected.

Under these circumstances, the Group plans to increase supply capacity by approximately 30% compared to the previous fiscal year (2015) by the end of the fiscal year 2016 by moving to mass production for Lines #6 and #7 (beginning of the second quarter of fiscal year 2016) and completing construction of Line #5 (during the third quarter of fiscal year 2016). Taking this into consideration, sales volume is expected to increase over the market expansion rate through expanded transactions with existing customers and the diversification of business partners in CE applications. In transportation applications, continued strong growth is planned for the fiscal year 2016, centering on the Chinese market and US market. The launch of operations at Lines #8 and #9 for which capital investments were recently decided on is projected for the fiscal year 2017.

Based on these factors, sales volume of ¥10,000 million (up 34.3% compared to the previous fiscal year), operating profit of ¥2,100 million (up 10.0% compared to the previous fiscal year), ordinary profit of ¥2,100 million (up 2.2% compared to the previous fiscal year), and net profit of ¥2,000 million (up 9.3% compared to the previous fiscal year) are projected for the fiscal year ending December 31, 2016.

As the assumptions for the business results projections, ¥110.0 to the US dollar and ¥100.0 for 1,000 Korean won are the projected average exchange rates for the full year.

(2) Analysis of Financial Position

(i) Assets, liabilities, and net assets

Total assets as of the end of the fiscal year under review stood at ¥17,047,946 thousand, up ¥2,673,078 thousand from the end of the previous fiscal year. The main causes are as follows.

(Assets)

Current assets stood at ¥6,439,754 thousand, a ¥153,947 thousand decrease from the end of the previous fiscal year. This was mainly due to a ¥549,767 thousand decrease in cash and bank deposits, a ¥193,822 thousand decrease in merchandise and finished goods, and a ¥469,110 thousand increase in notes and accounts receivable - trade. Fixed assets were ¥10,608,192 thousand, a ¥2,827,026 thousand increase from the end of the previous fiscal year. This was mainly due to a ¥752,028 thousand increase in buildings and structures, a ¥1,937,129 thousand increase in machinery, equipment and vehicles, and a ¥44,986 thousand increase in intangible fixed assets.

(Liabilities)

Liabilities stood at ¥4,642,859 thousand, up ¥1,413,140 thousand from the end of the previous fiscal year. Current liabilities as of the end of the consolidated fiscal year under review stood at ¥1,308,112 thousand, down ¥1,779,942 thousand from the end of the previous fiscal year. This was mainly due to a ¥2,500,000 thousand decrease in short-term debt, recording ¥287,700 thousand as current portion of long-term debt, and a ¥192,665 thousand increase in income taxes payable. Fixed liabilities stood at ¥3,334,747 thousand, up ¥3,193,083 thousand from the end of the previous fiscal year. This was due mainly to the recording of ¥3,112,300 thousand in long-term debt.

(Net assets)

Net assets as of the end of the fiscal year under review stood at ¥12,405,087 thousand, up ¥1,259,937 thousand from the end of the previous fiscal year. This was due mainly to the recording of ¥1,829,801 thousand in net profit and a ¥594,341 thousand decrease in foreign currency translation adjustment.

(ii) Analysis of cash flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review decreased by ¥49,767 thousand or 1.2% from the end of the previous fiscal year to ¥3,948,636 thousand. The main causes are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to ¥2,668,124 thousand (compared with ¥1,055,979 thousand provided in the previous fiscal year). This was due mainly to the recording of ¥2,054,476 thousand in net profit before taxes and other adjustment and the recording of ¥921,039 thousand in depreciation while there was a ¥522,010 thousand increase in notes and accounts receivable - trade.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥3,562,140 thousand (compared with ¥1,565,654 thousand used in the previous fiscal year). This was due mainly to ¥4,005,514 thousand of purchase of tangible fixed assets and ¥500,000 thousand of proceeds from withdrawal of time deposits.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities amounted to ¥924,116 thousand (compared with ¥1,199,903 thousand provided in the previous fiscal year). This was due mainly to the recording of a ¥2,500,000 thousand of net decrease in short-term debt and a ¥3,500,000 thousand of proceeds from long-term debt.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Equity ratio	84.4	82.7	83.8	77.2	72.5
Equity ratio based on market value	300.2	58.3	68.6	69.2	375.0
Cash flows/Interest-bearing debt ratio	1.0	3.7	2.2	2.5	1.3
Interest coverage ratio	20.1	18.2	112.4	168.0	196.5

Equity ratio: Equity/Total assets
Equity ratio based on market value: Total market value of stock/Total assets
Cash flows/Interest-bearing debt ratio: Interest bearing debts/Cash flows
Interest coverage ratio: Cash flows/Interest paid

(Note 1) The indicators were calculated using consolidated financial figures.
(Note 2) Market capitalization is calculated based on the number of issued shares.
(Note 3) Cash flows are the figures of net cash provided by (used in) operating activities.
(Note 4) Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid.

(3) Dividend Policy and Payments for the Fiscal Years 2015 and 2016

The Company recognizes the return of profits to its shareholders as an important management issue, and its basic policy is to provide stable dividends of profits after giving overall consideration to the financial position, operating results, and management overall, while securing the internal reserves necessary for sustainable growth in the future.

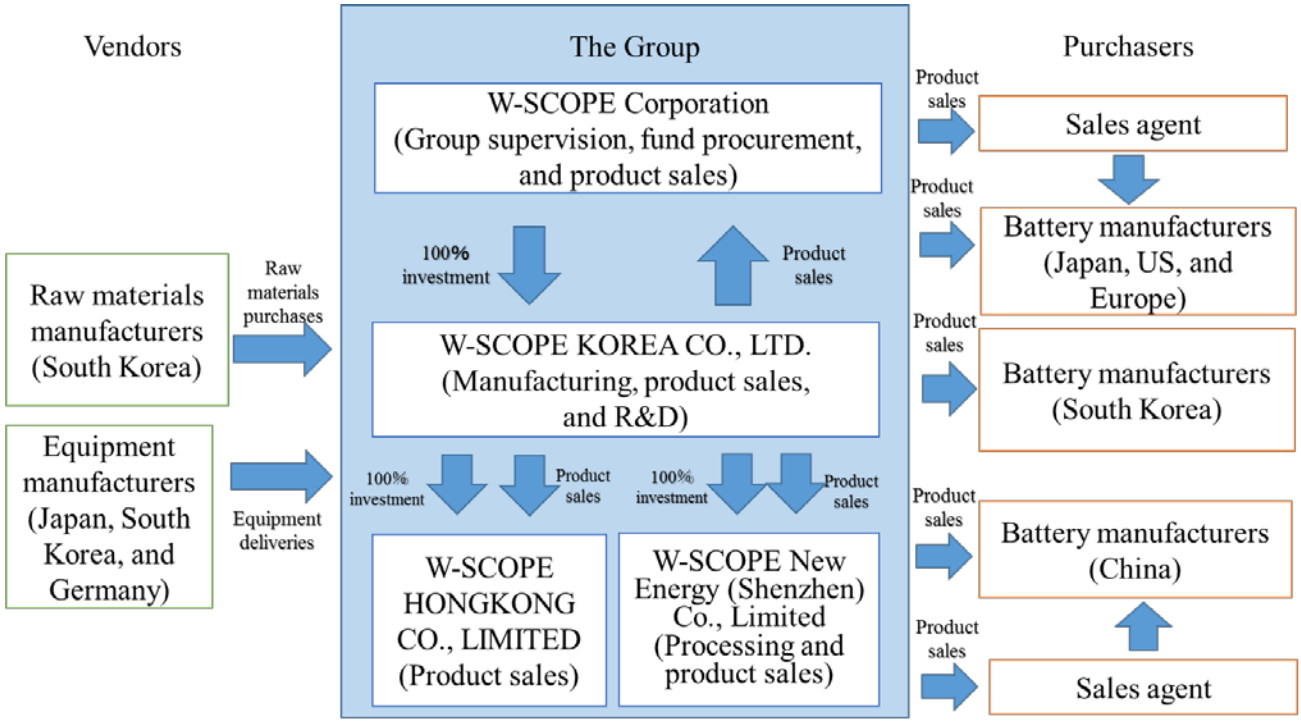
In terms of dividends for the fiscal year 2015, a dividend of ¥10 per share (a normal dividend of ¥5, a commemorative dividend of ¥5) is planned.

As for the dividend for the fiscal year 2016, a dividend of ¥5 per share (a normal dividend of ¥5) is planned after giving overall consideration to active capital investments planned to start from the fiscal year 2016.

2. Overview of the Corporate Group

The Group consists of a total of four companies, namely the Company and three consolidated subsidiaries (W-SCOPE KOREA CO., LTD., W-SCOPE HONGKONG CO., LIMITED, W-SCOPE New Energy (Shenzhen) Co., Limited). The Group's core business is the manufacturing and sales of lithium-ion secondary battery separators and its main customers are lithium-ion secondary battery manufacturers that are based in Japan, South Korea, China, and the US.

An illustration of the Group's business structure is as follows.



3. Management Policies

(1) Basic Management Policies of the Company

The Group's basic management policy is to become recognized as a manufacturer that provides membrane film (Note) with the best quality and performance in the world. Membrane film is a product that can serve as a passage for common substances or that only allows the passage of substances desired by users as a filter for impurities, depending on the application. The Group's mission is to contribute to the development of the human race by providing paths for communication with the world like membrane film and itself fulfilling the function of filtering contamination at times in order to become a company that can contribute to maintaining the global environment in its natural state.

(Note) Membrane film is a porous high-polymer membrane using polyolefin, cellulose, etc. A separator is a kind of membrane film.

(2) Targeted Performance Indicators

The Group views return on equity (ROE) as a benchmark that indicates the operational efficiency of capital entrusted from shareholders, the ratio of operating profit to sales volume as benchmark for high added value companies, and their improvement as the most important performance indicators, and it will continue developing business aimed at the further strengthening of profitability going forward. In addition, the Group will conduct R&D, etc., to secure technological advantages in an aim to further increase corporate value.

(3) Medium to Long-term Business Strategies of the Company

The Group will construct a stable supply structure for high-performance products through capital investments in line with demand trends in order to fulfill its responsibility to provide supply in response to separator demand that will grow in the future as an independent separator manufacturer and will develop a broad range of customers including major and emerging battery manufacturers. In addition, the Group's business strategy is to establish an organization and development capability with a strong corporate structure that makes it possible to respond immediately to changes in the business environment in order to become a company that can expand business even in a challenging operating environment.

The Group's medium-term vision is to achieve the top global share in the lithium-ion secondary battery separator market in the future.

(4) Issues to Be Addressed of the Company

The Group needs to stabilize the supply of products to customers to which we have recorded sales up until the fiscal year 2015, secure sales volumes with customers that have given approvals to our products, and also develop new products in response to demand for higher performance and higher quality from the market. In order to achieve this, the Group is addressing the following points as priority issues.

(i) Securing human resources and employee education

The Group believes that the development of outstanding engineers with a broad range of expertise and experience in lithium-ion secondary battery separator manufacturing technology is essential for the Group's strategy from a medium to long-term perspective. For this reason, in addition to securing immediate strength through mid-career recruitment, the Group is actively engaged in hiring new graduates, including those from overseas. Going forward, the Group will maintain and improve employee motivation through the enhancement of incentive systems including a stock option plan, establish a training system, and strengthen the education system by providing OJT.

(ii) Increasing new customers

The Group manufactures lithium-ion secondary battery separators and conducts sales activities to customers

based in Japan, other parts of Asia, and the US. Going forward, the Group will strengthen marketing activities as it works to increase transactions with major customers that manufacture lithium-ion secondary batteries.

(iii) Procuring funds

The Group expects demand for products to continually increase in the future, and as such it views procuring funds for manufacturing capital investments, R&D investments, and increasing working capital to be an important issue, and accordingly the Group will continue to work to enhance and strengthen its financial base going forward.

Under the Group's fund procurement policy, funds for manufacturing capital investments, R&D investments, and working capital are procured mainly through the stock market and loans from financial institutions as a general rule.

(iv) Strengthening of the production structure

In the lithium-ion secondary battery industry to which the Group supplies lithium-ion secondary battery separators, demand is increasing for lithium-ion secondary batteries due to the stable expansion of CE applications combined with the full-fledged development of transportation applications, and growth is expected to continue.

In order to achieve an even more independent management than in the past in response to this increasing demand, it is necessary to work to strengthen production capacity by conducting timely capital investments in line with market expansion with funds procured through a variety of means.

Specifically, in South Korea that serves as our production base, we will strive to expand production capacity while responding to expanding customer demand in a timely manner.

4. Basic Views on Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group prepares its consolidated financial statements using Japanese GAAP for the time being.

Regarding the application of IFRS, the Group's policy is to respond appropriately based on consideration of the situation in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and bank deposits	4,498,403	3,948,636
Notes and accounts receivable - trade	1,077,272	1,546,383
Merchandise and finished goods	724,651	530,828
Raw materials and supplies	153,952	197,071
Other	139,420	216,834
Total current assets	6,593,701	6,439,754
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,348,230	2,161,205
Accumulated depreciation	(309,593)	(370,539)
Buildings and structures, net	1,038,637	1,790,665
Machinery, equipment and vehicles	7,498,186	10,066,876
Accumulated depreciation	(3,041,921)	(3,673,481)
Machinery, equipment and vehicles, net	4,456,264	6,393,394
Construction in progress	2,062,847	2,077,069
Other	155,395	194,201
Accumulated depreciation	(109,238)	(126,720)
Other, net	46,156	67,481
Total tangible fixed assets	7,603,906	10,328,610
Intangible fixed assets		
Other	16,311	61,297
Total intangible fixed assets	16,311	61,297
Investments and other assets		
Deferred tax assets	142,608	197,633
Other	18,339	20,650
Total investments and other assets	160,948	218,284
Total fixed assets	7,781,166	10,608,192
Total assets	14,374,867	17,047,946

(Thousand yen)

	As of December 31, 2014	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,625	57,679
Short-term debt	2,600,000	100,000
Current portion of long-term debt	–	287,700
Accounts payable - other	327,412	483,277
Income taxes payable	34,081	226,746
Deferred tax liabilities	15,669	38,942
Other	81,265	113,766
Total current liabilities	3,088,055	1,308,112
Fixed liabilities		
Long-term debt	–	3,112,300
Net defined benefit liability	60,563	104,571
Deferred tax liabilities	182	92
Other	80,916	117,783
Total non-current liabilities	141,663	3,334,747
Total liabilities	3,229,718	4,642,859
Net assets		
Shareholders' equity		
Capital	4,119,445	4,131,720
Capital surplus	4,065,445	4,077,720
Retained earnings	499,160	2,328,962
Treasury shares	–	(72)
Total shareholders' equity	8,684,050	10,538,330
Accumulated other comprehensive income		
Foreign currency translation adjustment	2,416,098	1,821,756
Total accumulated other comprehensive income	2,416,098	1,821,756
Stock warrants	45,000	45,000
Total net assets	11,145,149	12,405,087
Total liabilities and net assets	14,374,867	17,047,946

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015
Sales volume	4,522,355	7,448,181
Cost of goods sold	3,392,256	4,577,782
Gross profit	1,130,098	2,870,398
Selling, general and administrative expenses	797,768	961,096
Operating profit	332,330	1,909,302
Non-operating revenue		
Interest income	2,496	3,697
Foreign exchange gains	228,052	–
Gain on sales of scraps	57,890	73,330
Subsidy income	108,187	104,196
Other	7,041	21,679
Total non-operating revenue	403,667	202,905
Non-operating expenses		
Interest expenses	11,054	17,931
Foreign exchange losses	–	16,736
Commission fee	29,525	21,592
Other	309	1,469
Total non-operating expenses	40,889	57,730
Ordinary profit	695,107	2,054,476
Extraordinary losses		
Loss on retirement of fixed assets	181,462	–
Total extraordinary losses	181,462	–
Net profit before taxes and other adjustment	513,645	2,054,476
Income taxes - current	36,685	266,531
Income taxes - deferred	(51,696)	(41,857)
Total income taxes	(15,010)	224,674
Profit before minority interests	528,656	1,829,801
Net profit	528,656	1,829,801

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015
Profit before minority interests	528,656	1,829,801
Other comprehensive income		
Foreign currency translation adjustment	715,056	(594,341)
Total other comprehensive income	715,056	(594,341)
Comprehensive income	1,243,712	1,235,460
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,243,712	1,235,460
Comprehensive income attributable to minority interests	–	–

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended December 31, 2014

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,119,445	4,065,445	(29,495)	―	8,155,394
Changes of items during period					
Issuance of new shares					
Net profit			528,656		528,656
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	―	―	528,656	―	528,656
Balance at end of current period	4,119,445	4,065,445	499,160	―	8,684,050

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	1,701,042	1,701,042	22,500	9,878,936
Changes of items during period				
Issuance of new shares				
Net profit				528,656
Purchase of treasury shares				
Net changes of items other than shareholders' equity	715,056	715,056	22,500	737,556
Total changes of items during period	715,056	715,056	22,500	1,266,212
Balance at end of current period	2,416,098	2,416,098	45,000	11,145,149

For the fiscal year ended December 31, 2015

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,119,445	4,065,445	499,160	—	8,684,050
Changes of items during period					
Issuance of new shares	12,275	12,275			24,550
Net profit			1,829,801		1,829,801
Purchase of treasury shares				(72)	(72)
Net changes of items other than shareholders' equity					
Total changes of items during period	12,275	12,275	1,829,801	(72)	1,854,279
Balance at end of current period	4,131,720	4,077,720	2,328,962	(72)	10,538,330

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	2,416,098	2,416,098	45,000	11,145,149
Changes of items during period				
Issuance of new shares				24,550
Net profit				1,829,801
Purchase of treasury shares				(72)
Net changes of items other than shareholders' equity	(594,341)	(594,341)	—	(594,341)
Total changes of items during period	(594,341)	(594,341)	—	1,259,937
Balance at end of current period	1,821,756	1,821,756	45,000	12,405,087

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015
Cash flows from operating activities		
Net profit before taxes and other adjustment	513,645	2,054,476
Depreciation	728,170	921,039
Loss on retirement of fixed assets	181,462	—
Interest and dividends income	(2,496)	(3,697)
Interest expenses	11,054	17,931
Foreign exchange losses (gains)	(180,856)	80,007
Share-based compensation expenses	22,500	—
Decrease (increase) in notes and accounts receivable - trade	(399,343)	(522,010)
Decrease (increase) in inventories	263,617	107,959
Increase (decrease) in notes and accounts payable - trade	8,805	30,815
Increase (decrease) in accounts payable - other	27,296	6,493
Other, net	(97,460)	46,990
Subtotal	1,076,396	2,740,006
Interest and dividend income received	2,496	3,697
Interest expenses paid	(6,285)	(13,577)
Income taxes paid	(16,627)	(62,002)
Net cash provided by (used in) operating activities	1,055,979	2,668,124
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	500,000
Purchase of tangible fixed assets	(1,563,804)	(4,005,514)
Other, net	(1,849)	(56,625)
Net cash provided by (used in) investing activities	(1,565,654)	(3,562,140)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	1,200,000	(2,500,000)
Proceeds from long-term debt	—	3,500,000
Repayment of long-term debt	—	(100,000)
Proceeds from exercise of share options	—	24,550
Other, net	(96)	(433)
Net cash provided by (used in) financing activities	1,199,903	924,116
Effect of exchange rate change on cash and cash equivalents	122,169	(79,867)
Net increase (decrease) in cash and cash equivalents	812,398	(49,767)
Cash and cash equivalents at beginning of period	3,186,005	3,998,403
Cash and cash equivalents at end of period	3,998,403	3,948,636

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Important matters that form the basis for preparing Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries have been consolidated.

Number of consolidated subsidiaries: 3

Names of the consolidated subsidiaries:

W-SCOPE KOREA CO., LTD.

W-SCOPE HONGKONG CO., LIMITED

W-SCOPE New Energy (Shenzhen) Co., Limited

Disclosures of items other than the above have been omitted since there have been no major changes from the most recent Securities Report (submitted on March 25, 2015).

(Changes in the method of presentation)

(Consolidated Balance Sheets)

Starting from the fiscal year under review accounts payable - other, which had been included in “other” under current liabilities in the previous fiscal year is stated separately due to its increasing monetary significance. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, ¥408,678 thousand presented as “other” under current liabilities in the Consolidated Balance Sheets of the previous fiscal year has been reclassified as accounts payable - other of ¥327,412 thousand and “other” of ¥81,265 thousand.

(Consolidated Statements of Income)

Starting from the fiscal year under review commission for syndicated loan, which had been stated separately under non-operating expenses in the previous fiscal year is included in commission fee under non-operating expenses, in light of its similarity to the commission fee, which was incurred in the fiscal year under review.

(Segment information)

(Segment information)

1. Description of reportable segments

The Company and its consolidated subsidiaries comprise a single segment of lithium-ion secondary battery separators business. Hence the statement is omitted, as there are no other segments to be disclosed.

(Related information)

- For the fiscal year ended December 31, 2014

(i) Information by product and service

This statement is omitted, as sales volume of a single product or service to outside customers exceeded 90% of total sales volume in the consolidated statements of income.

(ii) Information by geographical area

(1) Sales volume

(Thousand yen)

Japan	Asia	North America	Total
22,799	3,949,304	550,251	4,522,355

(Note) Sales volume are classified by country or area based on the locations of customers.

(2) Tangible fixed assets

(Thousand yen)

Japan	Asia	Total
5,845	7,598,061	7,603,906

(iii) Information by major customer

(Thousand yen)

Name of customer	Sales volume	Related segments
Dongguan Xuran Electronics Co., Ltd.	2,033,150	Lithium-ion secondary battery separators
LG Group	725,155	Lithium-ion secondary battery separators
Tianjin Lishen Battery Joint-Stock Co., Ltd.	493,568	Lithium-ion secondary battery separators
A123 Systems, LLC	481,143	Lithium-ion secondary battery separators

- For the fiscal year ended December 31, 2015

(i) Information by product and service

This statement is omitted, as sales volume of a single product or service to outside customers exceeded 90% of total sales volume in the consolidated statements of income.

(ii) Information by geographical area

(1) Sales volume

(Thousand yen)

Japan	Asia	North America	Total
64,149	6,181,667	1,202,364	7,448,181

(Note) Sales volume are classified by country or area based on the locations of customers.

(2) Tangible fixed assets

(Thousand yen)

Japan	Asia	Total
5,566	10,323,044	10,328,610

(iii) Information by major customer

(Thousand yen)

Name of customer	Sales volume	Related segments
Dongguan Xuran Electronics Co., Ltd.	2,435,814	Lithium-ion secondary battery separators
LG Group	1,670,732	Lithium-ion secondary battery separators
Tianjin Lishen Battery Joint-Stock Co., Ltd.	786,216	Lithium-ion secondary battery separators

(Information concerning impairment loss on fixed assets by reportable segment)

There is no relevant information.

(Amortization and unamortized balance of goodwill by reportable segment)

There is no relevant information.

(Gain on bargain purchase by reportable segment)

There is no relevant information.

(Per share information)

	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015
Net assets per share	¥783.26	¥870.03
Net profit per share	¥37.30	¥129.04
Diluted net profit per share	¥36.87	¥124.16

(Note) The basis for the calculation of net profit per share and diluted net profit per share is as follows.

Item	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015
Net profit per share		
Net profit (Thousand yen)	528,656	1,829,801
Amount not attributable to common shareholders (Thousand yen)	—	—
Net profit relating to common shares (Thousand yen)	528,656	1,829,801
Average number of common shares during each fiscal year (Shares)	14,171,600	14,180,070
Diluted net profit per share		
Adjustment for net profit	—	—
Increase in number of common shares (Shares)	163,863	556,972
(Stock warrants included in the above (Shares))	(163,863)	(556,972)
Overview of potential shares not included in calculation of diluted net profit per share due to lack of dilutive effect	Stock warrants by resolution of the Annual General Shareholders' Meeting held on March 28, 2011, and the Board of Directors meeting held on April 22, 2011 Common shares: 352,000 shares	—

(Significant subsequent events)

There is no relevant information.

6. Others

(1) Production, Orders and Sales

(i) Production

Production for the fiscal year under review was as follows.

Business segment	For the fiscal year ended December 31, 2015	
	Production amount (Thousand yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	4,408,598	142.2
Total	4,408,598	142.2

(Notes) 1. Statement regarding production 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. Amounts are based on manufacturing costs.
3. The amounts indicated above do not include consumption taxes and other taxes.

(ii) Orders received

While the Group's products are basically made to order, due to the short period of time from production to delivery, actual production is conducted by means of a forecast-based production process based on the information of monthly or quarterly purchase plans of the customers, and by taking into account past orders and production capacity. Therefore, it is difficult to calculate orders and order backlog and consequently order information is omitted.

(iii) Sales

Sales for the fiscal year under review were as follows.

Business segment	For the fiscal year ended December 31, 2015	
	Sales amount (Thousand yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	7,448,181	164.7
Total	7,448,181	164.7

(Notes) 1. Statement regarding production 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

Customer	For the fiscal year ended December 31, 2014		For the fiscal year ended December 31, 2015	
	Sales amount (Thousand yen)	Ratio (%)	Sales amount (Thousand yen)	Ratio (%)
Dongguan Xuran Electronics Co., Ltd.	2,033,150	45.0	2,435,814	32.7
LG Group	725,155	16.0	1,670,732	22.4
Tianjin Lishen Battery Joint-Stock Co., Ltd.	493,568	10.9	786,216	10.6
A123 Systems, LLC	481,143	10.6	—	—

3. The amounts indicated above do not include consumption taxes and other taxes.
4. Information on sales to A123 systems, LLC for the fiscal year ended December 31, 2015 is omitted as the ratio of such sales to total sales was less than 10%.
5. LG Group includes LG Electronics Inc. and LG Chem, 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 (Thousand yen)	Amount already paid (Thousand yen)				
W-SCOPE KOREA CO., LTD.	Head Office (Cheongwon-gu, Chungbuk, Republic of Korea)	Production Line #5	2,578,341	398,942	Own funds and borrowings from banks	July 2015	August 2016	Approx. 15% increase in production
W-SCOPE KOREA CO., LTD.	Head Office (Cheongwon-gu, Chungbuk, Republic of Korea)	Production Lines #6 and #7	3,531,299	1,207,752	Own funds and borrowings from banks	October 2015	April 2016	Approx. 15% increase in production
W-SCOPE KOREA CO., LTD.	Head Office (Cheongwon-gu, Chungbuk, Republic of Korea)	Production Lines #8 and #9	6,956,040	—	Own funds and borrowings from banks	February 2016	October 2017	Approx. 40% 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 fiscal year under review.
4. New construction of major facilities, which had been planned at the end of the previous fiscal year and completed, is as follows.

Name of company	Name of office (Location)	Details of the facilities	Investment amount (Thousand yen)	Scheduled completion date	Increase in capacity
W-SCOPE KOREA CO., LTD.	Head Office (Cheongwon-gu, Chungbuk, Republic of Korea)	Production Line #4	3,509,958	August 2015	Approx. 25% increase in production