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Stock Exchange Listing: Tokyo Stock Exchange Section 1
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Notice of Earnings Guidance Revision

This is to notify that the Company has revised its earnings guidance that was originally released on 11 May 2017 as follows by reflecting recent business trend.

Earnings guidance revision

Revision for the first-half guidance (accumulative) for the period between 1 Jan 2017 and 30 June 2017

	Sales	Operating Profit	Recurring Profit	Net Profit attributable to owners of parent	EPS
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous guidance (A)	5,000	1,000	900	600	19.34
Newly revised guidance (B)	4,490	355	165	139	4.48
Difference (B-A)	△510	△645	△735	△461	
Difference (%)	△10.2	△64.4	△81.7	△76.8	
Earnings results as of 1H FY12/16	4,480	1,481	1,433	1,089	38.06

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)	12,000	2,400	2,200	1,700	54.79
Newly revised guidance (B)	10,000	1,000	800	600	19. 30
Difference (B-A)	△2,000	△1,400	△1,400	△1,100	
Difference (%)	△16.7	△58.4	△63.6	△64.8	
Earnings results as of FY12/16	9,048	2,370	2,479	1,945	65. 28

Reasons for revision

In the first half this fiscal year, Chinese EV market, one of core markets for W-Scope's business, experienced major transformation of the Chinese Government's subsidy policy. At the same time, there was review of design and development of lithium-ion battery that is applicable for the subsidy. As a result, the Company's sales volume fell short of original prediction in the first half. Furthermore, production volume of the Company's main US customer dropped while it shifting to mass

production in China, resulted in sales shortfall. These negative impacts are expected to continue through to the third quarter of this fiscal year.

On the other hand, lithium-ion battery market overall is expected to rapidly grow in demand thanks not only to continuous growth in EV demand in China but also increasing numbers of European and U.S. automobile manufacturers planning to launch EV (including PHEV and HV) models. Under such circumstances, W-Scope has been focusing to build structure that enable it to grasp demand from European and US EV markets in advance. The Company continues to spend large-scale CAPEX as planned initially, as well as to make repair and maintenance works on production lines and plant facilities in an aim to improve product quality on 1st--7th production lines to meet demand from European and US automobile makers. Correspondingly, it is predicted to experience temporary fall in productivity and incur associated costs through to the third quarter of this fiscal year. Furthermore, the Company expects operating profit to fall short of guidance because of ongoing rise in depreciation cost for newly-added production lines since the first quarter, manpower hired in advance, and increase in sample shipment to new customers.

Despite the above negative factors, weaker Japanese Yen and weaker Korean Won against US dollar positively contributed to both sales and profit. However, FOREX impact did not fully offset the above negative factors. According to the above negative factors, it became apparent that the semi-annual earnings fall short of previously announced guidance.

	FOREX assumption at year-beginning	Actual FOREX as of H1	Difference	Impact
JPY/US$	¥100	¥112.38	Yen is weaker by ¥12.28/US$	Positive to sales and profit
JPY/KRW1,000	¥95.2	¥98.4	Yen is weaker by ¥3.2/KRW1,000	Negative to profit
KRW/US$	KRW1,050	KRW1,142.06	KRW is weaker by KRW92.06/US$	Positive to profit

Outlook beyond Q3

The above explained negative impacts to earnings are expected to continue to Q3. However, the Company continues to experience robust demand from major customers. For this reason, sales and operating profit from Q4 onwards should recover to the level previously expected. The Company plans to start sample shipment from the new 8th line to a core client. Mass production and shipment on the line are planned to start from Q4.

We reviewed FOREX assumption from Q3 based on current exchange market

	FOREX assumption at year-beginning	FOREX assumption from Q3 onwards	Difference
JPY/US$	¥100	¥110	Yen is weaker by ¥10/US$
JPY/KRW1,000	¥95.2	¥100	Yen is weaker by ¥4.8/KRW1,000
KRW/US$	KRW1,050	KRW1,100	KRW is weaker by KRW50/US$

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.