Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 [Japanese GAAP]

February 13, 2018

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, 2018
Scheduled date of commencing dividend payments: March 26, 2018
Scheduled date of filing annual securities report: March 26, 2018
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, 2017 (January 1, 2017 to December 31, 2017)

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

	Sales volume		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2017	9,517	5.2	274	(88.4)	(108)	-	(119)	-
December 31, 2016	9,048	21.5	2,370	19.6	2,479	20.7	1,945	6.3

(Note) Comprehensive income: Fiscal year ended December 31, 2017: ¥2,289 million [(65.0) %]
Fiscal year ended December 31, 2016: ¥1,387 million [12.3 %]

	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, 2017	(3.85)	-	(0.6)	(0.3)	2.9
December 31, 2016	65.28	61.46	11.8	10.5	26.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2017: ¥ - million
Fiscal year ended December 31, 2016: ¥ - million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	46,674	22,948	49.1	734.23
As of December 31, 2016	30,394	20,670	67.8	665.73

(Reference) Equity: As of December 31, 2017: ¥22,905 million
As of December 31, 2016: ¥20,608 million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net assets per share is calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(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, 2017	697	(14,314)	13,566	10,529
December 31, 2016	2,729	(7,460)	11,384	10,508

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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2016	-	0.00	-	2.50	2.50	77	3.83	0.45
December 31, 2017	-	0.00	-	2.50	2.50	77	-	0.36
Fiscal year ending December 31, 2018 (Forecast)	-	0.00	-	2.50	2.50		19.46	

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% 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	5,000	11.3	0	(100.0)	(50)	-	(120)	-	(3.86)
Full year	14,000	47.1	700	154.7	500	-	400	-	12.85

*** 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, 2017: 31,197,600 shares

December 31, 2016: 30,956,600 shares

2) Total number of treasury shares at the end of the period:

December 31, 2017: 223 shares

December 31, 2016: 223 shares

3) Average number of shares during the period:
Fiscal year ended December 31, 2017: 31,124,982 shares
Fiscal year ended December 31, 2016: 29,797,736 shares

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Total number of issued shares (common shares) is calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017 to December 31, 2017)

(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, 2017	1,596	97.8	(216)	-	1,124	176.7	1,075	181.1
December 31, 2016	807	(36.3)	(216)	-	406	(67.6)	382	(68.6)

	Net profit per share	Diluted net profit per share
Fiscal year ended	Yen	Yen
December 31, 2017	34.54	33.12
December 31, 2016	12.83	12.08

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	35,132	18,436	52.4	589.60
As of December 31, 2016	25,608	17,373	67.6	559.21

(Reference) Equity: As of December 31, 2017: ¥18,394 million
As of December 31, 2016: ¥17,311 million

(Note) The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net assets per share is calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

* These financial results are outside the scope of audit.

* 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. Overview of Business Results, etc. (4) Future Outlook" on page 5 of the Appendix.

(Change in unit of presentation)

The amounts of the accounts presented in consolidated financial statements and other items were previously stated in thousands of yen, but starting from the first quarter and the three months ended March 31, 2017, are

stated in millions of yen, as a change in unit. Accordingly, the amounts presented for the previous fiscal year and the fiscal year ended December 31, 2016 are also stated in millions of yen to facilitate comparison.

(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 Tuesday, February 13, 2018. 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. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year 2017

(Business Results for the Fiscal Year 2017)

During the fiscal year ended December 31, 2017, while the US economy remained strong throughout the year with improved business conditions in the manufacturing and non-manufacturing industries on the whole, the European economy continued its solid expansion despite a downward trend in the growth rate. The Chinese economy is expected to show slight growth in GDP for the first time in seven years on the strength of such factors as an upswing in investment in the manufacturing industry and exports. As a result, the global economic growth remained stable with continued strong sentiment.

Under these circumstances, in the W-SCOPE Group's (hereinafter, the "Group") core lithium-ion secondary battery separators business, despite a slowdown in market growth, growth continued on the back of rising demand for high value-added separators and the expanding power battery market, reflecting the higher energy density of lithium-ion batteries, in consumer electronics applications (hereinafter, "CE applications"), which account for more than 60% of the lithium-ion secondary battery market. In addition, in transportation equipment applications consisting of EV (electric vehicles) and HEV (hybrid vehicles), which have been driven by the Chinese market, the outlook clearly calls for an increase in demand in the European and US markets. This is because major automobile manufacturers responded to environmental regulations around the world and commenced disclosure of concrete development, production and sales plans mainly for EVs.

CE applications account for approximately 65% of the Group's sales volume. In CE applications, sales of power batteries, including power tools, and smartphone applications constitute the main markets. Meanwhile, in vehicular applications, which account for approximately 35% of the Group's sales volume, productivity of battery manufacturers went through a period of temporary decline due to changes in the Chinese government's subsidy policies, but has generally recovered. The Group also continues to respond to a surge in demand for separator samples for EV applications in Europe and the US from leading battery manufacturers and take initiatives to establish a mass production system.

In the Chinese market, which accounts for 47.0% of consolidated sales volume, the new energy vehicles (EV and HEV) applications account for a large proportion; however, during the fiscal year 2017, a decrease of 5.1% compared to the previous fiscal year was seen partly because there was a period of temporary decline in productivity of battery manufacturers as a result of battery specification changes that would be subject to subsidy policies.

In the South Korean market, sales to the leading South Korean battery manufacturer, the LG Group, constitute the core of sales. However, sales to the South Korean market decreased by 1.1% compared to the previous fiscal year, reflecting a temporary decrease in sales by customers in certain markets.

In Japan, sales to Tohoku Murata Manufacturing Group companies continue to increase, up 372.0% compared to the previous fiscal year, and supply volume is expected to continue to increase stably going forward.

Against a backdrop of robust demand from customers mainly for projects for transportation equipment applications, the Group continues to increase its production capacity. Lines #8 and #9, which are large-scale deposition lines, were shifted to mass production in the second half of 2017. Furthermore, mass production is scheduled to commence in Lines #10 and #11 at W-SCOPE CHUNGJU PLANT CO., LTD. (hereinafter, "WCP"), a new production subsidiary, in the first half of 2018.

As a result, sales volume grew by ¥469 million or 5.2% compared to the previous fiscal year to ¥9,517 million, and the Group further diversified customers and sales regions.

In addition, R&D spending increased by ¥84 million compared to the previous fiscal year to ¥262 million for

development mainly of new applications for industrial water treatment filters.

As for costs, costs for improving the production environment at the Company's manufacturing subsidiary W-SCOPE KOREA CO., LTD. (hereinafter, "WSK"), mass sample shipment for batteries for EVs and PHEVs, for which mass production is expected to accelerate from the second half of 2018, as well as an increase in variable costs associated with the launch of production on large-scale Lines #8 and #9, installed from the third quarter ended September 30, 2017, among other factors, significantly reduced operating profit.

As a result, operating profit decreased by ¥2,096 million or 88.4% compared to the previous fiscal year to ¥274 million. Non-operating expenses included foreign exchange losses of ¥412 million (¥124 million exchange gains in the previous fiscal year), and as a result, net profit before taxes and other adjustment fell by ¥2,579 million compared to the previous fiscal year (¥2,479 million) to ¥99 million of net loss before taxes and other adjustment, and net profit attributable to owners of parent decreased by ¥2,065 million compared to the previous fiscal year (¥1,945 million) to ¥119 million of net loss attributable to owners of parent.

Average exchange rates for the fiscal year 2017 were ¥112.13 to the US dollar and ¥99.2 for 1,000 Korean won.

(2) Overview of Financial Position for the Fiscal Year 2017

(i) Assets, liabilities, and net assets

Total assets as of the end of the fiscal year under review stood at ¥46,674 million, up ¥16,279 million from the end of the previous fiscal year. The main causes are as follows.

(Assets)

Current assets stood at ¥14,985 million, a ¥1,166 million increase from the end of the previous fiscal year. This was mainly due to a ¥377 million increase in merchandise and finished goods, a ¥149 million increase in raw materials and supplies, and a ¥419 million increase in notes and accounts receivable – trade. Fixed assets were ¥31,688 million, a ¥15,112 million increase from the end of the previous fiscal year. This was mainly due to a ¥2,205 million increase in buildings and structures, a ¥6,655 million increase in machinery, equipment and vehicles and a ¥6,104 million increase in construction in progress.

(Liabilities)

Liabilities stood at ¥23,725 million, up ¥14,001 million from the end of the previous fiscal year. Current liabilities as of the end of the consolidated fiscal year under review stood at ¥9,094 million, up ¥6,357 million from the end of the previous fiscal year. This was mainly due to a ¥5,754 million increase in short-term debt and a ¥749 million increase in current portion of long-term debt. Fixed liabilities stood at ¥14,631 million, up ¥7,644 million from the end of the previous fiscal year. This was due mainly to a ¥7,432 million increase in long-term debt.

(Net assets)

Net assets as of the end of the fiscal year under review stood at ¥22,948 million, up ¥2,277 million from the end of the previous fiscal year. This was due mainly to a ¥2,409 million increase in foreign currency translation adjustment.

(3) Overview of Cash Flows for the Fiscal Year 2017

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review increased by ¥20 million or 0.2% from the end of the previous fiscal year to ¥10,529 million. The main causes are as follows.

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

Net cash provided by operating activities amounted to ¥697 million (compared with ¥2,729 million provided in the previous fiscal year). This was due mainly to the recording of ¥99 million in net loss before taxes and other adjustment and the recording of ¥1,719 million in depreciation while there was a ¥365 million increase in inventories and ¥472 million for income taxes payment.

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

Net cash used in investing activities amounted to ¥14,314 million (compared with ¥7,460 million used in the previous fiscal year). This was due mainly to ¥14,275 million of purchase of tangible fixed assets.

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

Net cash provided by financing activities amounted to ¥13,566 million (compared with ¥11,384 million provided in the previous fiscal year). This was due mainly to the recording of a ¥5,387 million of net increase in short-term debt and a ¥9,500 million of increase in long-term debt while there was a decrease in long-term debt of ¥1,317 million.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Equity ratio	83.8	77.2	72.5	67.8	49.1
Equity ratio based on market value	68.6	69.2	375.0	178.2	156.5
Cash flows/Interest-bearing debt ratio	2.2	2.5	1.3	2.9	31.5
Interest coverage ratio	112.4	168.0	196.5	89.3	11.7

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.

(4) Future Outlook

In the lithium-ion secondary battery separators business that is the Group's core business, the transportation equipment applications market can be expected to expand over the medium- to long-term, and as a result of such expansion, increased demand is also expected for separators that are one of the main components for lithium-ion secondary batteries. Furthermore, in CE applications, sales of high added value separators are anticipated to grow, reflecting higher energy density of batteries, and in transportation equipment applications, many new EV and PHEV models are expected to be launched by automobile manufacturers not only in China but also in Europe and the US. Given this market environment, continued growth in the lithium-ion secondary battery separator market is expected.

In preparation for such market expansion, the Group continues to make capital investments. Nine mass production deposition lines are expected to commence operation at the beginning of the fiscal year 2018, and furthermore, completion of construction of and moving to mass production (during the second quarter) in large-scale deposition Lines #10 and #11 are expected in the first half at WCP. In addition, total of six coating lines will be in operation at WSK's Plant No.3 this year in response to increased demand.

Taking these into consideration, in CE applications, sales volume is expected to significantly increase through expanded transactions with main customers in South Korea and Japan as well as new customer acquisitions. In transportation applications, continued strong growth is expected, with plans to commence transactions with customers who are potential battery suppliers to the automobile industries in Europe and the US, in addition to the Chinese market. Based on these factors, sales volume of ¥14,000 million (47.1% compared to the previous fiscal year), operating profit of ¥700 million (154.7% compared to the previous fiscal year), ordinary profit of ¥500 million (ordinary loss of ¥108 million previous fiscal year), and net profit attributable to owners of parent ¥400 million (net loss attributable to owners of parent of ¥119 million previous fiscal year) are projected for the fiscal year ending December 31, 2018.

As the assumptions for the business results projections, ¥108.0 to the US dollar and ¥98.2 for 1,000 Korean won are the projected average exchange rates for the full year.

2. 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.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and bank deposits	10,508	10,529
Notes and accounts receivable – trade	2,030	2,450
Merchandise and finished goods	659	1,036
Raw materials and supplies	247	397
Other	371	571
Total current assets	13,818	14,985
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,341	5,766
Accumulated depreciation	(458)	(677)
Buildings and structures, net	2,883	5,088
Machinery, equipment and vehicles	13,817	22,466
Accumulated depreciation	(4,472)	(6,466)
Machinery, equipment and vehicles, net	9,345	16,000
Construction in progress	3,953	10,057
Other	245	393
Accumulated depreciation	(141)	(196)
Other, net	104	196
Total tangible fixed assets	16,286	31,343
Intangible fixed assets		
Other	52	72
Total intangible fixed assets	52	72
Investments and other assets		
Deferred tax assets	211	237
Other	26	36
Total investments and other assets	237	273
Total fixed assets	16,576	31,688
Total assets	30,394	46,674

(Million yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	68	127
Short-term debt	100	5,854
Current portion of long-term debt	1,317	2,067
Accounts payable - other	612	808
Income taxes payable	397	18
Deferred tax liabilities	135	115
Other	104	103
Total current liabilities	2,737	9,094
Fixed liabilities		
Long-term debt	6,628	14,060
Net defined benefit liability	184	182
Deferred tax liabilities	0	0
Other	174	387
Total fixed liabilities	6,986	14,631
Total liabilities	9,724	23,725
Net assets		
Shareholders' equity		
Capital	7,633	7,676
Capital surplus	7,579	7,622
Retained earnings	4,132	3,934
Treasury shares	(0)	(0)
Total shareholders' equity	19,344	19,232
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,263	3,673
Total accumulated other comprehensive income	1,263	3,673
Stock warrants	61	42
Total net assets	20,670	22,948
Total liabilities and net assets	30,394	46,674

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Sales volume	9,048	9,517
Cost of goods sold	5,651	7,918
Gross profit	3,396	1,599
Selling, general and administrative expenses	1,025	1,324
Operating profit	2,370	274
Non-operating revenue		
Interest income	2	13
Foreign exchange gains	124	-
Gain on donation of assets	31	58
Subsidy income	104	67
Other	3	6
Total non-operating revenue	267	144
Non-operating expenses		
Interest expenses	41	84
Foreign exchange losses	-	412
Share issuance cost	38	-
Commission fee	76	25
Other	1	5
Total non-operating expenses	157	527
Ordinary profit (loss)	2,479	(108)
Extraordinary profit		
Gain on reversal of stock warrants	-	8
Total extraordinary profit	-	8
Net profit (loss) before taxes and other adjustment	2,479	(99)
Income taxes- current	463	82
Income taxes - deferred	71	(62)
Total income taxes	534	20
Net profit (loss)	1,945	(119)
Net profit (loss) attributable to non-controlling interests	-	-
Net profit (loss) attributable to owners of parent	1,945	(119)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Net profit (loss)	1,945	(119)
Other comprehensive income		
Foreign currency translation adjustment	(557)	2,409
Total other comprehensive income	(557)	2,409
Comprehensive income	1,387	2,289
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,387	2,289
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended December 31, 2016

(Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,131	4,077	2,328	(0)	10,538
Changes of items during period					
Issuance of new shares	3,501	3,501			7,003
Dividends of surplus			(142)		(142)
Net profit attributable to owners of parent			1,945		1,945
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,501	3,501	1,803	(0)	8,806
Balance at end of current period	7,633	7,579	4,132	(0)	19,344

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	1,821	1,821	45	12,405
Changes of items during period				
Issuance of new shares				7,003
Dividends of surplus				(142)
Net profit attributable to owners of parent				1,945
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(557)	(557)	16	(540)
Total changes of items during period	(557)	(557)	16	8,265
Balance at end of current period	1,263	1,263	61	20,670

For the fiscal year ended December 31, 2017

(Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,633	7,579	4,132	(0)	19,344
Changes of items during period					
Issuance of new shares	42	42			85
Dividends of surplus			(77)		(77)
Net profit (loss) attributable to owners of parent			(119)		(119)
Purchase of treasury shares				–	–
Net changes of items other than shareholders' equity					
Total changes of items during period	42	42	(197)	–	(112)
Balance at end of current period	7,676	7,622	3,934	(0)	19,232

	Accumulated other comprehensive income		Stock warrants	Total net assets
	Foreign currency translation adjustment	Total other comprehensive income		
Balance at beginning of current period	1,263	1,263	61	20,670
Changes of items during period				
Issuance of new shares				85
Dividends of surplus				(77)
Net profit attributable to owners of parent				(119)
Purchase of treasury shares				–
Net changes of items other than shareholders' equity	2,409	2,409	(19)	2,389
Total changes of items during period	2,409	2,409	(19)	2,277
Balance at end of current period	3,673	3,673	42	22,948

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Cash flows from operating activities		
Net profit (loss) before taxes and other adjustment	2,479	(99)
Depreciation	1,134	1,719
Increase (decrease) in allowance for doubtful accounts	-	3
Interest and dividends income	(2)	(13)
Interest expenses	41	84
Foreign exchange losses (gains)	(84)	138
Share issuance cost	38	-
Gain on reversal of stock warrants	-	(8)
Decrease (increase) in notes and accounts receivable - trade	(493)	(346)
Decrease (increase) in inventories	(220)	(365)
Increase (decrease) in notes and accounts payable - trade	14	48
Increase (decrease) in accounts payable - other	48	47
Other, net	95	5
Subtotal	3,051	1,216
Interest and dividend income received	2	13
Interest expenses paid	(30)	(59)
Income taxes paid	(294)	(472)
Net cash provided by (used in) operating activities	2,729	697
Cash flows from investing activities		
Purchase of tangible fixed assets	(7,412)	(14,275)
Other, net	(47)	(38)
Net cash provided by (used in) investing activities	(7,460)	(14,314)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	5,387
Proceeds from long-term debt	5,000	9,500
Repayment of long-term debt	(454)	(1,317)
Proceeds from issuance of common shares	6,956	-
Proceeds from exercise of share options	7	73
Proceeds from issuance of subscription rights to shares	16	-
Cash dividends paid	(142)	(77)
Other, net	(0)	-
Net cash provided by (used in) financing activities	11,384	13,566
Effect of exchange rate change on cash and cash equivalents	(94)	70
Net increase (decrease) in cash and cash equivalents	6,559	20
Cash and cash equivalents at beginning of period	3,948	10,508
Cash and cash equivalents at end of period	10,508	10,529

(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)

Disclosures of items have been omitted since there have been no major changes from the most recent Securities Report (submitted on March 23, 2017).

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting from the fiscal year ended December 31, 2017, the Company has applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

(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, 2016

(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

(Million yen)

Japan	Asia	Europe & America	Total
321	8,246	479	9,048

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

(2) Tangible fixed assets

(Million yen)

Japan	Asia	Total
5	16,281	16,286

(iii) Information by major customer

(Million yen)

Name of customer	Sales volume	Related segments
LG Group	3,399	Lithium-ion secondary battery separators
Dongguan Xuran Electronics Co., Ltd.	2,938	Lithium-ion secondary battery separators

- For the fiscal year ended December 31, 2017

(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

(Million yen)

Japan	Asia	Europe & America	Total
1,519	7,965	32	9,517

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

(2) Tangible fixed assets

(Million yen)

Japan	Asia	Total
7	31,335	31,343

(iii) Information by major customer

(Million yen)

Name of customer	Sales volume	Related segments
LG Group	3,395	Lithium-ion secondary battery separators
Dongguan Xuran Electronics Co., Ltd.	3,115	Lithium-ion secondary battery separators
Tohoku Murata Manufacturing Group	1,477	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, 2016	For the fiscal year ended December 31, 2017
Net assets per share	¥665.73	¥734.23
Net profit (loss) per share	¥65.28	¥(3.85)
Diluted net profit per share	¥61.46	–

(Notes) 1. Diluted net profit per share for the fiscal year ended December 31, 2017 is not presented because a net loss per share was posted, despite the existence of potential shares.

2. The Company conducted a stock split of common stock on July 1, 2016 at the ratio of one to two shares. Net profit per share and diluted net profit per share are calculated based on the assumption that such stock split was implemented at the beginning of the previous fiscal year.

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

	For the fiscal year ended December 31, 2016	For the fiscal year ended December 31, 2017
Net profit per share		
Net profit (loss) attributable to owners of parent (Million yen)	1,945	(119)
Amount not attributable to common shareholders (Million yen)	–	–
Net profit (loss) attributable to owners of parent relating to common shares (Million yen)	1,945	(119)
Average number of common shares during each fiscal year (Shares)	29,797,736	31,124,982
Diluted net profit per share		
Adjustment for net profit attributable to owners of parent (Million yen)	–	–
Increase in number of common shares (Shares)	1,853,934	–
(Stock warrants included in the above (Shares))	(1,853,934)	–
Overview of potential shares not included in calculation of diluted net profit per share due to lack of dilutive effect	–	–

(Significant subsequent events)

There is no relevant information.

4. 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, 2017	
	Production amount (Million yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	8,320	142.4
Total	8,320	142.4

(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

Production for the fiscal year under review was as follows.

Business segment	For the fiscal year ended December 31, 2017	
	Sales amount (Million yen)	Y-o-Y ratio (%)
Lithium-ion secondary battery separators	9,517	105.2
Total	9,517	105.2

(Notes) 1. Statement regarding sales 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 were as follows.

Customer	For the fiscal year ended December 31, 2016		For the fiscal year ended December 31, 2017	
	Sales amount (Million yen)	Ratio (%)	Sales amount (Million yen)	Ratio (%)
LG Group	3,399	37.6	3,395	35.7
Dongguan Xuran Electronics Co., Ltd.	2,938	32.5	3,115	32.7
Tohoku Murata Manufacturing Group	–	–	1,477	15.5

3. The amounts indicated above do not include consumption taxes and other taxes.
4. Information on sales to Tohoku Murata Manufacturing Group for the fiscal year ended December 31, 2016 is omitted as the ratio of such sales to total sales was less than 10%.
5. LG Group includes LG Chem, Ltd. Tohoku Murata Manufacturing Group includes Murata Energy Device Wuxi Co., Ltd. and Murata Energy Device Singapore Pte. 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 (Million yen)	Amount already paid (Million yen)				
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Coating Production Lines #3 and #4	1,549	1,697	Own funds and bank borrowings	September 2016	During the first quarter of FY2018	Approx. 200% increase in processing production
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Coating Production Lines #5 and #6	704	598	Own funds and bank borrowings	February 2017	During the first quarter of FY2018	Approx. 200% increase in processing production
W-SCOPE CHUNGJU PLANT CO., LTD.	Head Office (Chungju-si, Chungbuk, Republic of Korea)	Production Lines #10 and #11	9,146	6,698	Own funds, fund for capital increase and bank borrowings	October 2016	During the first half of 2018	Approx. 60% increase in production
W-SCOPE CHUNGJU PLANT CO., LTD.	Head Office (Chungju-si, Chungbuk, Republic of Korea)	Production Lines #12 and #13	8,346	1,155	Own funds, fund for capital increase and bank borrowings	September 2017	During the second half of 2019	Approx. 60% 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. The major new facilities whose establishment was scheduled at the end of the previous fiscal year and have been completed are as follows:

Name of company	Name of office (Location)	Details of the facilities	Investment amount (Million yen)	Completion date	Increase in capacity after completion
W-SCOPE KOREA CO., LTD.	Head Office (Cheonju-si, Chungbuk, Republic of Korea)	Production Lines #8 and #9	7,363	December 2017	Approx. 60% increase in production

5. “Increase in capacity after completion” is stated relative to the end of the previous fiscal year.