05 March 2019

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
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Explanation on proposals that ISS recommends voting against

W-Scope Corporation is planning to hold the 14th Annual Shareholders' Meeting on the 20th March 2019 at which our proposals to shareholders are to be voted. Of 3 proposals which are further itemized to 9 proposals, two items, namely reappointment of Won-Kun Choi, the president of the company (Proposal Item 2.1), and reappointment of statutory auditor Junbom Lee (Proposal Item 3.3), are recommended to vote against by Institutional Shareholder Services Inc. (ISS). We would like to explain our opinions for those two proposed items as below;

1. Item 2.1. Elect Director Won-Kun Choi

ISS's vote recommendation – AGAINST
"*a vote AGAINST this director is warranted because:*

- *Top management is responsible for the company's unfavourable ROE performance.*"

ISS recommends that shareholders oppose the top executive at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years), unless an improvement (defined as ROE of five percent or greater for the most recent fiscal year) is observed.

Our response
Won-Kun Choi has been leading the company's business since its inception in October 2005 as the founding president. While the company's growth was initially achieved by manufacturing and selling lithium-ion battery separators for consumer applications, W-Scope started co-working with development of automotive lithium-ion battery with battery makers. Separator business is capital-intensive and requires hefty investment on production facilities and R&D prior to commencement of production. Future growth potential of separator for EV battery, therefore, can only be obtained after heavy upfront investment. Our business is solely formed with a single business segment and with weak financial structure, investment was only

possible at the sacrifice of profit for the past two fiscal years. As of last fiscal year to December 2018, 5-year average ROE was below 5%. However, we expect positive return on earlier investment to be realized after 2019 for we plan to start new sales of separators to European EV market, leading to better earnings and subsequently to improved ROE.

Mr. Choi has been leading our business with consistent vision and strategy. He is indispensable for the future development of the company. We seek shareholders' support for the proposal of reappointing him as a director of the company.

2. Item 3.3. Appoint Statutory Auditor Junbom Lee

ISS's cote recommendation - AGAINST
"*A vote AGAINST this nominee is warranted because:*

- *The outside statutory auditor nominee's affiliation with the company could compromise independence.*"

ISS recommends voting against Mr. Lee's reappointment for the nominee fails to meet ISS criteria on independence because he previously belonged to KPMG AZSA LLC, which is the audit firm of the company.

Our explanation
Mr. Lee joined Century LLC in January 1995 and resigned from Ernst & Young (EY) ShinNihon LLC in April 2002. EY ShinNihon was formed by merger between Century LLC and Ohta Showa LLC in April 2000. Century was one of many predecessors of current KPMG Azsa LLC which was formed in February 2003. Mr. Lee had already resigned from its predecessor 10 months before. We disagree with ISS's opinion that his work history with Century LLC (and later EY ShinNihon LLC) represents continuous affiliation with KPMG Azsa LLC.

Mr. Lee has been our outside statutory auditor since November 2007. To date, his contribution based on his broad experience as an auditor has been invaluable for the company's corporate governance, and continuous and sustainable improvement of enterprise value. We ask for shareholders' support on reappointing this nominee.