

SIR Corporate Report

1st March, 2015

W-SCOPE Corporation (TSE Mothers : 6619)



Business Overview

- W-SCOPE is the special manufacturer providing separators for lithium-ion secondary cell batteries (hereafter, "LiB").
- Owns manufacturing facilities in Korea and mainly distributing to China, US and Korean battery manufactures.
- Obtaining tax benefit from Korean government for overseas corporates, established manufacturing facilities in Korea and realized to maximize the usable film surface and fastest manufacturing speed utilizing unique manufacturing process which is called sequential uniaxial separate extension method.
- Continuous manufacturing innovation resulted in compatible with strength and high porosity of the film, and their products are highly appreciated by their customers.
- Demand for lithium-ion secondary cell battery is anticipated to make rapid growth arising from environmental require and increase the users of smart phone etc.



Expectation for Rapid Growth

(FY2014 Review and future growth strategy)

【Overview of FY2014】

Sales for FY2014 increased 66%yoy to 4,522 million yen, as well as operating profit, which reached to 332million yen, which was 147million deficit, showing strong performance.

(Unit; Thousand Yen)

	FY2014	FY2013	% YoY
Sales	4,522,355	2,717,479	166.42%
Cost of sales	3,392,256	2,114,742	160.41%
COGS Ratio	75.01%	77.82%	-2.81%
Gorss Profit	1,130,098	602,736	187.49%
Gross margin	24.99%	22.18%	2.81%
SGA	797,768	749,921	106.38%
SGA Ratio	17.64%	27.60%	-9.96%
Operating Profit	332,330	△ 147,185	-225.79%
Operating Margin	7.35%	-5.42%	12.76%
Ordinary Profit	695,107	119,974	579.38%
Ordinary Profit Margin	15.37%	4.41%	10.96%
Net Profit	528,656	137,480	384.53%
Net Profit Margin	11.69%	5.06%	6.63%

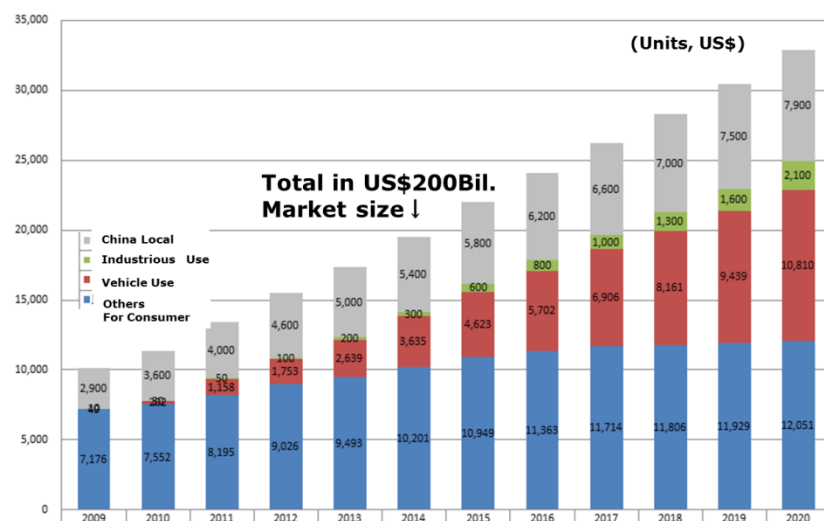
As the company's profit should be estimated operating profit basis (because of the tax benefit and FX profit/loss as they are trading US\$ basis), SIR confirmed that the company clearly crossed break-even point and established profit making system.

Main factor for it is considered coming from i) the rapid increase in demand in China and US where they have their main customer base, ii) increase of Tier 1 customers based on the quality of the company's products.

[Aspects of the demand for LiB]

Global LiB market is expected to increase the demand for i) EV (Electric Vehicle) / HEV(Hybrid EV) and to restore renewable energy by ESS to solve environmental issues and ii) battery for law end price smart phone and sub battery.

The market volume of LiB is anticipated as below.



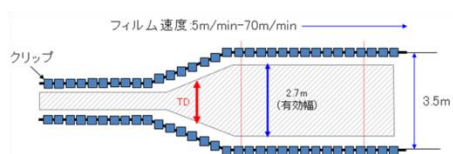
Especially, governmental activities of US and China testify the anticipation.

【How W-SCOPE is placed in the market】

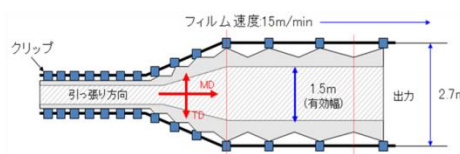
W-SCOPE established their unique position in the market as a specialist of separator manufacturer for LiB.

Their uniqueness is coming from their manufacturing method. Their unique sequential uniaxial separate extension method (shown below) enables to use the film X1.8 compared to ordinal manufacturing method and realized X2.6 manufacturing speed without deteriorating the quality.

【W-SCOPE way】



【ordinal manufacturing method】



Together with the technologies, utilizing tax benefit in Korea, the company could obtain cost leadership in global market.

On the other hands, coming from the over estimation for LiB suffered the battery manufacturers resulted US largest manufacturer A123, the company's one of the important customer) went bankrupt (Chapter 11) in 2012. The unstable market badly affected to the company.

However, in these years, the restructuring of the battery manufactures had proceeded (eg. A123 was acquired Wang Shang Group and sold ESS unit to NEC) and the market climate changed to follow-wind to the company.

The trading with Tier 1 companies (Top 10 battery manufacturers) is as below.

Tier1	FR2011	FY2012	FY2013	As of Apr. 2014	YoY
Trading	(A123)	0	1	4	3
Accepted	0	0	2	2	0
Under negotiation	4	8	5	4	-1

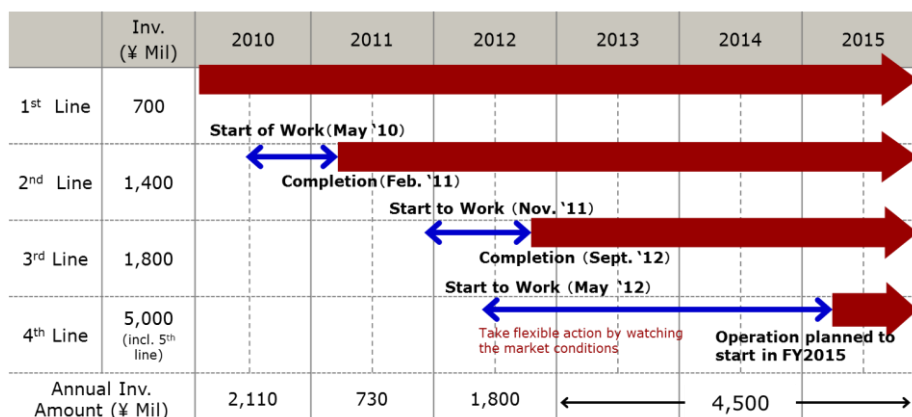
(from the company's presentation materials)

【Future growth strategies】

Based on the current circumstances, the company is planning their future growth strategies as below.

① Strengthen the film manufacturing facilities

Increase the manufacturing facilities shown as below.



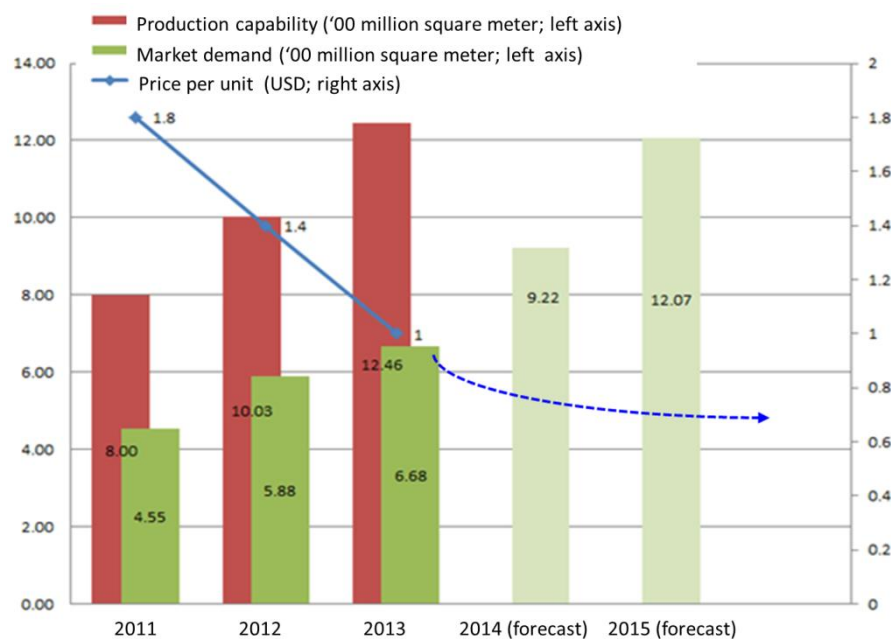
- The world's largest level of production line: prepared within 1 year
- Time-In the market style production
- Realized higher efficiency

② Empower cost leadership

The company estimates the price will be lowered for future.

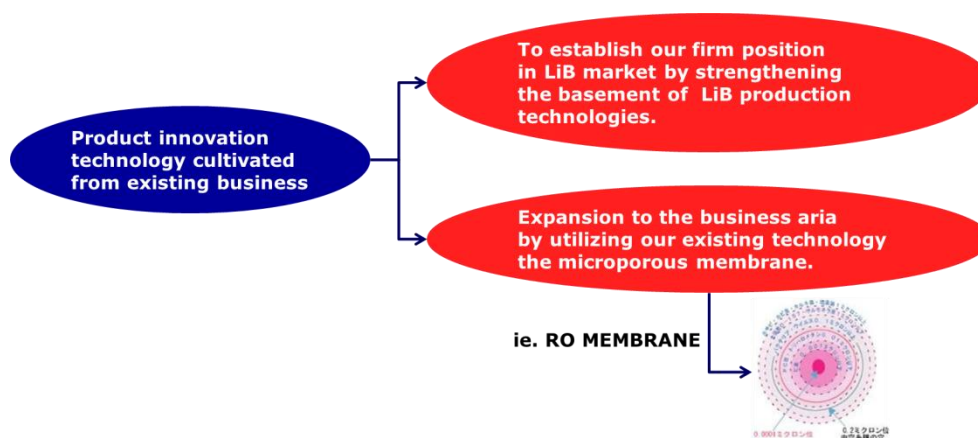
They are preparing to keep their cost leadership in the market.

【The company's estimation for the film price】



③ New business development

The company established research institute in Korea and explore new technology for further high quality for LiB separator film and new business area such as reverse osmosis membrane where they can utilize their existing technologies.



【Forecast of FY2015】

(Units: Million Yen)

	FYE Dec. 2014 (Actual)	FYE Dec. 2015 (Forecast)	YoY (Amount)	YoY (%)
Sales	4,522	6,072	1,550	34.28%
Operating Profit	332	660	328	98.80%
Ordinary Profit	695	791	96	13.81%
Net Profit	528	726	265	50.19%
Net profit per share	37.30	51.23	13.93	37.35%

Exchange rate (AR: ¥/\$)	105.72	110.00	4.28	4.05%
Exchange rate (AR: ¥/1,000w)	100.4	110.0	-0.4	-0.40%

Capital Expenditure	1,563	1,905	342	21.88%
Amortization	728	905	177	24.31%
R&D Expenditure	168	233	65	38.69%

Further, the company is expecting to reach 10 Billion yen sales in FY2017.
SIR would like to closely look at the performance of the company.

Yuichi Sekiguchi

CEO

Strategic IR Insight Inc.

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