

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2014 (Based on Japanese GAAP)

February 13, 2015

Company name: EPCO Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2311 URL <http://www.epco.co.jp/>
 Representative: President and Group CEO Yoshiyuki Iwasaki
 Inquiries: Chief Financial Officer Shinichiro Yoshihara TEL +81-3-6853-9165
 Scheduled date of ordinary general meeting of shareholders: March 27, 2015
 Scheduled date to file Securities Report: March 27, 2015
 Scheduled date to commence dividend payments: March 30, 2015
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2014 (from January 1, 2014 to December 31, 2014)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2014	3,050	(7.5)	322	(61.6)	367	(55.6)	211	(54.9)
Year ended December 31, 2013	3,299	—	840	—	828	—	469	—

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2014	47.39	—	6.9	10.5	10.6
Year ended December 31, 2013	105.03	—	16.7	25.2	25.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2014	3,408	3,095	90.8	692.31
As of December 31, 2013	3,571	3,017	84.5	675.30

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2014	151	(361)	(244)	1,414
Year ended December 31, 2013	574	(270)	(223)	1,828

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2013	—	25.00	—	30.00	55.00	245	52.4	8.9
Year ended December 31, 2014	—	25.00	—	30.00	55.00	245	116.0	8.0
Year ending December 31, 2015 (Forecast)	—	25.00	—	30.00	55.00		116.6	

3. Forecast of consolidated financial results for the year ending December 31, 2015 (from January 1, 2015 to December 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2015	1,482	(2.7)	(250)	—	(8)	—	(28)	—	—
Full year	3,324	9.0	145	(54.8)	373	1.5	210	(0.5)	47.15

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2014

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements after error corrections: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2014	4,658,000 shares	As of December 31, 2013	4,658,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2014	189,311 shares	As of December 31, 2013	189,273 shares
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Average number of shares during the period

Year ended December 31, 2014	4,468,714 shares	Year ended December 31, 2013	4,468,727 shares
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Consolidated financial statements
Consolidated balance sheets

	(Thousands of yen)	
	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	2,238,751	1,884,966
Notes and accounts receivable - trade	510,744	428,145
Semi-finished goods	—	32,986
Work in process	107,990	36,235
Deferred tax assets	36,361	8,721
Income taxes receivable	—	45,191
Other	67,587	166,810
Allowance for doubtful accounts	(9,896)	(9,739)
Total current assets	2,951,538	2,593,317
Non-current assets		
Property, plant and equipment		
Buildings and structures	97,314	127,625
Accumulated depreciation	(49,648)	(55,216)
Buildings and structures, net	47,665	72,409
Tools, furniture and fixtures	240,381	261,476
Accumulated depreciation	(184,800)	(158,678)
Tools, furniture and fixtures, net	55,581	102,797
Other	—	6,712
Accumulated depreciation	—	(93)
Other, net	—	6,619
Land	31,598	—
Total property, plant and equipment	134,845	181,826
Intangible assets	75,876	77,730
Investments and other assets		
Shares of subsidiaries and associates	210,260	290,836
Investments in capital of subsidiaries and associates	104,732	119,322
Deferred tax assets	29,745	19,176
Other	64,640	126,467
Total investments and other assets	409,379	555,802
Total non-current assets	620,101	815,359
Total assets	3,571,639	3,408,677

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	7,998	2,055
Income taxes payable	209,127	4,887
Advances received	76,538	25,298
Provision for bonuses	11,150	14,489
Other	210,621	235,658
Total current liabilities	515,437	282,389
Non-current liabilities		
Long-term accounts payable - other	15,028	11,360
Other	23,441	19,297
Total non-current liabilities	38,469	30,657
Total liabilities	553,907	313,046
Net assets		
Shareholders' equity		
Capital stock	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	2,822,555	2,788,567
Treasury shares	(188,763)	(188,833)
Total shareholders' equity	2,839,056	2,804,998
Accumulated other comprehensive income		
Foreign currency translation adjustment	178,676	288,702
Total accumulated other comprehensive income	178,676	288,702
Subscription rights to shares	—	1,929
Total net assets	3,017,732	3,095,630
Total liabilities and net assets	3,571,639	3,408,677

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	(Thousands of yen)	
	Year ended December 31, 2013	Year ended December 31, 2014
Net sales	3,299,503	3,050,621
Cost of sales	1,692,872	1,647,501
Gross profit	1,606,630	1,403,119
Selling, general and administrative expenses	766,385	1,080,592
Operating income	840,245	322,527
Non-operating income		
Refunds	39,561	—
Interest income	2,108	3,456
Subsidy income	—	104,874
Other	825	452
Total non-operating income	42,495	108,783
Non-operating expenses		
Share of loss of entities accounted for using equity method	7,017	60,772
Foreign exchange losses	18,866	2,619
Provision of allowance for doubtful accounts	2,500	—
Commission fee	25,820	—
Total non-operating expenses	54,204	63,391
Ordinary income	828,536	367,918
Extraordinary income		
Gain on sales of non-current assets	—	175
Other	—	46
Total extraordinary income	—	221
Extraordinary losses		
Restructuring expense	63,715	—
Head office transfer cost	—	3,538
Loss on retirement of non-current assets	1,373	1,735
Other	147	—
Total extraordinary losses	65,236	5,273
Income before income taxes and minority interests	763,299	362,866
Income taxes - current	325,782	112,865
Income taxes - deferred	(31,847)	38,209
Total income taxes	293,935	151,074
Income before minority interests	469,363	211,792
Net income	469,363	211,792

Consolidated statements of comprehensive income

	(Thousands of yen)	
	Year ended December 31, 2013	Year ended December 31, 2014
Income before minority interests	469,363	211,792
Other comprehensive income		
Foreign currency translation adjustment	162,239	116,143
Share of other comprehensive income of entities accounted for using equity method	—	(6,117)
Total other comprehensive income	162,239	110,025
Comprehensive income	631,603	321,818
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	631,603	321,818
Comprehensive income attributable to minority interests	—	—

Consolidated statements of changes in equity

Year ended December 31, 2013

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	87,232	118,032	2,576,628	(188,763)	2,593,129	16,436	16,436	—	2,609,565
Changes of items during period									
Dividends of surplus			(223,436)		(223,436)				(223,436)
Net income			469,363		469,363				469,363
Purchase of treasury shares					—				—
Net changes of items other than shareholders' equity						162,239	162,239	—	162,239
Total changes of items during period	—	—	245,927	—	245,927	162,239	162,239	—	408,166
Balance at end of current period	87,232	118,032	2,822,555	(188,763)	2,839,056	178,676	178,676	—	3,017,732

Year ended December 31, 2014

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	87,232	118,032	2,822,555	(188,763)	2,839,056	178,676	178,676	—	3,017,732
Changes of items during period									
Dividends of surplus			(245,779)		(245,779)				(245,779)
Net income			211,792		211,792				211,792
Purchase of treasury shares				(69)	(69)				(69)
Net changes of items other than shareholders' equity						110,025	110,025	1,929	111,955
Total changes of items during period	—	—	(33,987)	(69)	(34,057)	110,025	110,025	1,929	77,897
Balance at end of current period	87,232	118,032	2,788,567	(188,833)	2,804,998	288,702	288,702	1,929	3,095,630

Consolidated statements of cash flows

(Thousands of yen)

	Year ended December 31, 2013	Year ended December 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	763,299	362,866
Depreciation	64,160	78,126
Increase (decrease) in allowance for doubtful accounts	9,643	(156)
Increase (decrease) in provision for bonuses	1,455	1,838
Interest and dividend income	(2,108)	(3,456)
Loss on retirement of non-current assets	1,373	1,735
Share of (profit) loss of entities accounted for using equity method	7,017	60,772
Decrease (increase) in notes and accounts receivable - trade	(120,984)	86,732
Decrease (increase) in semi-finished goods	—	(32,986)
Decrease (increase) in work in process	37,897	71,755
Increase (decrease) in notes and accounts payable - trade	(17,906)	(5,942)
Increase (decrease) in accounts payable - other	39,515	12,294
Other, net	(32,760)	(140,127)
Subtotal	750,603	493,453
Interest and dividend income received	3,270	2,886
Income taxes paid	(194,436)	(370,637)
Income taxes refund	14,669	25,598
Net cash provided by (used in) operating activities	574,106	151,300
Cash flows from investing activities		
Payments into time deposits	(1,970)	(2,028)
Purchase of property, plant and equipment	(17,702)	(122,879)
Proceeds from sales of property, plant and equipment	—	32,018
Collection of loans receivable	2,710	2,289
Purchase of intangible assets	(35,308)	(25,970)
Purchase of shares of subsidiaries and associates	(223,500)	(147,000)
Other, net	5,430	(97,492)
Net cash provided by (used in) investing activities	(270,340)	(361,063)
Cash flows from financing activities		
Proceeds from issuance of subscription rights to shares	—	1,936
Purchase of treasury shares	—	(69)
Cash dividends paid	(223,515)	(246,196)
Net cash provided by (used in) financing activities	(223,515)	(244,330)
Effect of exchange rate change on cash and cash equivalents	42,604	39,210
Net increase (decrease) in cash and cash equivalents	122,855	(414,883)
Cash and cash equivalents at beginning of period	1,706,074	1,828,930
Cash and cash equivalents at end of period	1,828,930	1,414,046