

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2016 (Based on Japanese GAAP)

August 10, 2016

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 to file Quarterly Securities Report: August 12, 2016
 Scheduled date to commence dividend payments: September 6, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2016	1,600	9.6	(200)	–	118	–	98	–
Six months ended June 30, 2015	1,460	(4.2)	(217)	–	(3)	–	(16)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2016	22.17		–	
Six months ended June 30, 2015	(3.76)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	3,028	2,722	89.9
As of December 31, 2015	3,325	2,928	88.0

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2015	–	25.00	–	30.00	55.00
Year ending December 31, 2016	–	25.00	–	–	–
Year ending December 31, 2016 (Forecast)	–	–	–	30.00	55.00

3. Forecast of consolidated financial results for the year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,215	2.7	(5)	–	314	350.4	221	121.3	49.57

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2016: No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: Yes
 - Changes in accounting policies due to other reasons: No
 - Changes in accounting estimates: No
 - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2016	4,658,000 shares	As of December 31, 2015	4,658,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	201,945 shares	As of December 31, 2015	189,345 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2016	4,461,188 shares	Six months ended June 30, 2015	4,468,674 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	1,667,182	1,856,784
Notes and accounts receivable - trade	485,471	479,896
Work in process	60,793	36,462
Deferred tax assets	84,968	27,437
Other	327,325	34,817
Allowance for doubtful accounts	(8,246)	(6,765)
Total current assets	2,617,494	2,428,633
Non-current assets		
Property, plant and equipment	159,498	135,372
Intangible assets	225,251	192,838
Investments and other assets		
Shares of subsidiaries and associates	68,929	33,675
Investments in capital of subsidiaries and associates	133,273	118,176
Other	121,108	119,948
Total investments and other assets	323,311	271,800
Total non-current assets	708,061	600,011
Total assets	3,325,556	3,028,644
Liabilities		
Current liabilities		
Accounts payable - trade	1,568	3,303
Income taxes payable	9,425	847
Provision for bonuses	13,710	5,359
Other	327,570	257,050
Total current liabilities	352,274	266,560
Non-current liabilities		
Long-term accounts payable - other	11,360	11,360
Deferred tax liabilities	18,292	14,627
Other	15,185	13,135
Total non-current liabilities	44,838	39,122
Total liabilities	397,112	305,683
Net assets		
Shareholders' equity		
Capital stock	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	2,642,731	2,607,567
Treasury shares	(188,894)	(202,702)
Total shareholders' equity	2,659,101	2,610,129
Accumulated other comprehensive income		
Deferred gains or losses on hedges	–	(6,414)
Foreign currency translation adjustment	268,101	118,014
Total accumulated other comprehensive income	268,101	111,599
Subscription rights to shares	1,240	1,232
Total net assets	2,928,443	2,722,961
Total liabilities and net assets	3,325,556	3,028,644

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

	(Thousands of yen)	
	Six months ended June 30, 2015	Six months ended June 30, 2016
Net sales	1,460,580	1,600,992
Cost of sales	912,532	1,003,128
Gross profit	548,047	597,864
Selling, general and administrative expenses	765,930	798,846
Operating loss	(217,882)	(200,982)
Non-operating income		
Interest income	1,654	1,830
Share of profit of entities accounted for using equity method	–	592
Foreign exchange gains	–	339
Subsidy income	294,794	313,849
Other	2,758	3,202
Total non-operating income	299,207	319,815
Non-operating expenses		
Share of loss of entities accounted for using equity method	81,107	–
Foreign exchange losses	1,885	–
Commission for purchase of treasury shares	–	122
Other	1,907	2
Total non-operating expenses	84,900	124
Ordinary income (loss)	(3,575)	118,708
Extraordinary income		
Gain on reversal of subscription rights to shares	662	8
Gain on sales of shares of subsidiaries and associates	–	38,123
Total extraordinary income	662	38,132
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,004	–
Total extraordinary losses	1,004	–
Income (loss) before income taxes and minority interests	(3,917)	156,841
Income taxes - current	911	592
Income taxes - deferred	11,983	57,352
Total income taxes	12,895	57,945
Profit (loss)	(16,812)	98,895
Profit (loss) attributable to owners of parent	(16,812)	98,895

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended June 30, 2015	Six months ended June 30, 2016
Profit (loss)	(16,812)	98,895
Other comprehensive income		
Deferred gains or losses on hedges	–	(6,414)
Foreign currency translation adjustment	16,515	(143,054)
Share of other comprehensive income of entities accounted for using equity method	980	(7,032)
Total other comprehensive income	17,495	(156,501)
Comprehensive income	682	(57,605)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	682	(57,605)
Comprehensive income attributable to non-controlling interests	–	–

Quarterly consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(3,917)	156,841
Depreciation	56,037	59,153
Share of (profit) loss of entities accounted for using equity method	81,107	(592)
Subsidy income	(294,794)	(313,849)
Decrease (increase) in notes and accounts receivable - trade	(15,557)	(1,384)
Loss (gain) on sales of shares of subsidiaries and associates	-	(38,123)
Decrease (increase) in works in process	(25,576)	24,330
Other, net	(21,955)	119,021
Subtotal	(224,655)	5,397
Interest and dividend income received	2,895	2,653
Proceeds from subsidy income	376,768	390,130
Income taxes paid	(5,512)	(8,500)
Income taxes refund	54,736	6,913
Net cash provided by (used in) operating activities	204,231	396,594
Cash flows from investing activities		
Payments into time deposits	(2,401)	(2,247)
Purchase of shares of subsidiaries and associates	(20,000)	-
Proceeds from sales of shares of subsidiaries and associates	101,201	67,412
Purchase of property, plant and equipment	(26,281)	(5,415)
Purchase of intangible assets	(201,600)	-
Other, net	26,030	(440)
Net cash provided by (used in) investing activities	(123,051)	59,308
Cash flows from financing activities		
Purchase of treasury shares	(61)	(13,930)
Cash dividends paid	(133,875)	(134,213)
Net cash provided by (used in) financing activities	(133,937)	(148,144)
Effect of exchange rate change on cash and cash equivalents	6,010	(50,173)
Net increase (decrease) in cash and cash equivalents	(46,746)	257,585
Cash and cash equivalents at beginning of period	1,414,046	1,193,251
Cash and cash equivalents at end of period	1,367,299	1,450,836