

# Translation

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## Summary of Consolidated Financial Results for the Year Ended December 31, 2018 (Based on Japanese GAAP)

February 13, 2019

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 28, 2019  
 Scheduled date to file Securities Report: March 28, 2019  
 Scheduled date to commence dividend payments: March 29, 2019  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

#### (1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2018	3,899	13.4	578	4.2	468	(8.4)	289	(17.7)
Year ended December 31, 2017	3,438	5.1	555	501.3	511	27.3	351	14.1

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2018	32.47	—	9.7	12.9	14.8
Year ended December 31, 2017	39.48	—	11.9	14.8	16.2

#### (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, 2018	3,736	3,001	80.3	336.64
As of December 31, 2017	3,532	2,996	84.8	336.11

#### (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, 2018	423	(395)	(244)	1,398
Year ended December 31, 2017	521	(362)	(244)	1,631

### 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, 2017	—	25.00	—	30.00	55.00	245	69.7	8.3
Year ended December 31, 2018	—	12.50	—	15.00	27.50	245	84.7	8.2
Year ending December 31, 2019 (Forecast)	—	12.50	—	15.00	27.50		70.2	

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2019	1,921	6.3	201	(3.7)	142	(5.6)	73	(7.1)	8.24
Full year	4,022	3.2	571	(1.3)	538	14.9	349	20.6	39.16

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2018

(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, 2018	9,316,000 shares	As of December 31, 2017	9,316,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	403,962 shares	As of December 31, 2017	403,962 shares
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Average number of shares during the period

Year ended December 31, 2018	8,912,038 shares	Year ended December 31, 2017	8,912,038 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

	(Thousands of yen)	
	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	2,065,596	1,753,041
Notes and accounts receivable - trade	503,523	559,145
Work in process	44,200	45,169
Prepaid expenses	41,056	75,297
Deferred tax assets	28,415	40,201
Other	33,576	42,302
Allowance for doubtful accounts	(4,254)	(1,946)
Total current assets	2,712,113	2,513,211
Non-current assets		
Property, plant and equipment		
Buildings and structures	142,497	224,736
Accumulated depreciation	(96,878)	(66,962)
Buildings and structures, net	45,618	157,774
Tools, furniture and fixtures	291,166	391,531
Accumulated depreciation	(210,909)	(214,170)
Tools, furniture and fixtures, net	80,256	177,360
Other	6,992	6,992
Accumulated depreciation	(776)	(2,846)
Other, net	6,216	4,146
Total property, plant and equipment	132,091	339,281
Intangible assets		
Software	184,093	200,605
Software in progress	21,539	27,388
Other	388	388
Total intangible assets	206,021	228,382
Investments and other assets		
Shares of subsidiaries and associates	198,479	296,218
Investments in capital of subsidiaries and associates	148,116	151,212
Deferred tax assets	—	682
Lease and guarantee deposits	116,017	187,189
Other	20,000	20,000
Total investments and other assets	482,613	655,302
Total non-current assets	820,727	1,222,966
Total assets	3,532,841	3,736,177

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	6,763	6,910
Accounts payable - other	110,151	331,473
Income taxes payable	147,481	121,002
Advances received	20,554	23,313
Provision for bonuses	17,983	22,519
Provision for shareholder benefit program	13,460	35,095
Other	197,471	179,857
Total current liabilities	513,866	720,172
Non-current liabilities		
Long-term accounts payable - other	11,360	11,360
Deferred tax liabilities	4,072	—
Other	6,970	3,405
Total non-current liabilities	22,402	14,765
Total liabilities	536,268	734,937
Net assets		
Shareholders' equity		
Capital stock	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	2,790,859	2,835,189
Treasury shares	(202,753)	(202,753)
Total shareholders' equity	2,793,370	2,837,700
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2,674)	(3,253)
Foreign currency translation adjustment	204,748	165,686
Total accumulated other comprehensive income	202,073	162,432
Share acquisition rights	1,128	1,106
Total net assets	2,996,572	3,001,239
Total liabilities and net assets	3,532,841	3,736,177

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

	(Thousands of yen)	
	Year ended December 31, 2017	Year ended December 31, 2018
Net sales	3,438,407	3,899,326
Cost of sales	2,138,742	2,333,843
Gross profit	1,299,664	1,565,482
Selling, general and administrative expenses	744,160	986,531
Operating profit	555,503	578,950
Non-operating income		
Interest income	4,798	4,826
Commission fee	3,378	1,652
Other	1,965	205
Total non-operating income	10,141	6,685
Non-operating expenses		
Share of loss of entities accounted for using equity method	49,990	109,606
Foreign exchange losses	4,013	7,456
Other	274	231
Total non-operating expenses	54,279	117,295
Ordinary profit	511,365	468,341
Extraordinary income		
Gain on reversal of share acquisition rights	94	22
Gain on change in equity	2,785	—
Gain on sales of non-current assets	611	—
Total extraordinary income	3,491	22
Extraordinary losses		
Loss on retirement of non-current assets	235	10,808
Total extraordinary losses	235	10,808
Profit before income taxes	514,622	457,554
Income taxes - current	173,762	184,393
Income taxes - deferred	(10,957)	(16,250)
Total income taxes	162,804	168,142
Profit	351,818	289,411
Profit attributable to owners of parent	351,818	289,411

# **Consolidated statements of comprehensive income**

	(Thousands of yen)	
	Year ended December 31, 2017	Year ended December 31, 2018
Profit	351,818	289,411
Other comprehensive income		
Deferred gains or losses on hedges	1,080	(578)
Foreign currency translation adjustment	(13,009)	(30,783)
Share of other comprehensive income of entities accounted for using equity method	8,166	(8,278)
Total other comprehensive income	(3,762)	(39,640)
Comprehensive income	348,055	249,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	348,055	249,770
Comprehensive income attributable to non-controlling interests	—	—

# Consolidated statements of changes in equity

Year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	87,232	118,032	2,705,520	(202,753)	2,708,031	(3,755)	209,591	205,835	1,223	2,915,090
Changes of items during period										
Dividends of surplus			(245,081)		(245,081)					(245,081)
Profit attributable to owners of parent			351,818		351,818					351,818
Decrease in retained earnings due to exclusion of equity method companies			(21,398)		(21,398)					(21,398)
Net changes of items other than shareholders' equity						1,080	(4,843)	(3,762)	(94)	(3,856)
Total changes of items during period	—	—	85,338	—	85,338	1,080	(4,843)	(3,762)	(94)	81,481
Balance at end of current period	87,232	118,032	2,790,859	(202,753)	2,793,370	(2,674)	204,748	202,073	1,128	2,996,572

Year ended December 31, 2018

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	87,232	118,032	2,790,859	(202,753)	2,793,370	(2,674)	204,748	202,073	1,128	2,996,572
Changes of items during period										
Dividends of surplus			(245,081)		(245,081)					(245,081)
Profit attributable to owners of parent			289,411		289,411					289,411
Decrease in retained earnings due to exclusion of equity method companies					—					—
Net changes of items other than shareholders' equity						(578)	(39,061)	(39,640)	(22)	(39,662)
Total changes of items during period	—	—	44,330	—	44,330	(578)	(39,061)	(39,640)	(22)	4,667
Balance at end of current period	87,232	118,032	2,835,189	(202,753)	2,837,700	(3,253)	165,686	162,432	1,106	3,001,239

**Consolidated statements of cash flows**

(Thousands of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	514,622	457,554
Depreciation	119,906	140,244
Increase (decrease) in allowance for doubtful accounts	(4,018)	(2,307)
Increase (decrease) in provision for bonuses	3,656	5,881
Interest and dividend income	(4,798)	(4,826)
Increase (decrease) in provision for shareholder benefit program	13,460	21,635
Share of loss (profit) of entities accounted for using equity method	49,990	109,606
Loss (gain) on change in equity	(2,785)	—
Loss (gain) on sales of non-current assets	(611)	—
Loss on retirement of non-current assets	235	10,808
Decrease (increase) in notes and accounts receivable - trade	(35,470)	(58,757)
Decrease (increase) in works in process	(5,215)	(969)
Increase (decrease) in notes and accounts payable - trade	379	146
Increase (decrease) in accounts payable - other	3,552	2,668
Other, net	(8,061)	(53,068)
Subtotal	644,841	628,616
Interest and dividend income received	5,100	4,964
Income taxes paid	(144,803)	(234,210)
Income taxes refund	16,067	24,051
Net cash provided by (used in) operating activities	521,204	423,420
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	8,830	70,400
Purchase of property, plant and equipment	(38,864)	(71,974)
Proceeds from sales of property, plant and equipment	2,870	—
Purchase of intangible assets	(80,635)	(85,679)
Purchase of shares of subsidiaries and associates	(245,000)	(220,500)
Payments for lease and guarantee deposits	(9,576)	(87,711)
Net cash provided by (used in) investing activities	(362,375)	(395,465)
Cash flows from financing activities		
Cash dividends paid	(244,963)	(244,708)
Net cash provided by (used in) financing activities	(244,963)	(244,708)
Effect of exchange rate change on cash and cash equivalents	6,598	(16,501)
Net increase (decrease) in cash and cash equivalents	(79,536)	(233,254)
Cash and cash equivalents at beginning of period	1,711,332	1,631,796
Cash and cash equivalents at end of period	1,631,796	1,398,541