

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2019 (Based on Japanese GAAP)

February 12, 2020

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 26, 2020
 Scheduled date to file Securities Report: March 26, 2020
 Scheduled date to commence dividend payments: March 27, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for shareholders and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	4,150	6.4	560	(3.2)	597	27.6	428	47.9
Year ended December 31, 2018	3,899	13.4	578	4.2	468	(8.4)	289	(17.7)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2019	48.04	–	13.9	16.3	13.5
Year ended December 31, 2018	32.47	–	9.7	12.9	14.8

(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, 2019	3,619	3,168	87.5	355.55
As of December 31, 2018	3,736	3,001	80.3	336.64

(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, 2019	463	(113)	(244)	1,497
Year ended December 31, 2018	423	(395)	(244)	1,398

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, 2018	–	12.50	–	15.00	27.50	245	84.7	8.2
Year ended December 31, 2019	–	12.50	–	17.50	30.00	267	62.4	8.7
Year ending December 31, 2020 (Forecast)	–	12.50	–	15.00	27.50		56.0	

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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, 2020	2,007	1.2	205	(17.0)	262	13.0	183	28.7	20.59
Full year	4,061	(2.2)	476	(14.9)	603	1.0	437	2.2	49.11

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019

(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, 2019	9,316,000 shares	As of December 31, 2018	9,316,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	404,045 shares	As of December 31, 2018	403,962 shares
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Average number of shares during the period

Year ended December 31, 2019	8,912,001 shares	Year ended December 31, 2018	8,912,038 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,753,041	1,497,694
Notes and accounts receivable - trade	559,145	635,627
Work in process	45,169	63,605
Prepaid expenses	75,297	60,547
Other	42,302	27,644
Allowance for doubtful accounts	(1,946)	(1,289)
Total current assets	2,473,009	2,283,830
Non-current assets		
Property, plant and equipment		
Buildings and structures	224,736	235,459
Accumulated depreciation	(66,962)	(70,937)
Buildings and structures, net	157,774	164,521
Tools, furniture and fixtures	391,531	447,624
Accumulated depreciation	(214,170)	(265,716)
Tools, furniture and fixtures, net	177,360	181,907
Other	6,992	6,992
Accumulated depreciation	(2,846)	(4,227)
Other, net	4,146	2,765
Total property, plant and equipment	339,281	349,195
Intangible assets		
Software	200,605	238,018
Software in progress	27,388	14,497
Other	388	388
Total intangible assets	228,382	252,904
Investments and other assets		
Shares of subsidiaries and associates	296,218	317,055
Investments in capital of subsidiaries and associates	151,212	163,120
Leasehold and guarantee deposits	187,189	196,763
Deferred tax assets	40,884	36,429
Other	20,000	20,000
Total investments and other assets	695,504	733,368
Total non-current assets	1,263,168	1,335,468
Total assets	3,736,177	3,619,299

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	6,910	6,727
Accounts payable - other	331,473	101,793
Income taxes payable	121,002	82,287
Advances received	23,313	25,013
Provision for bonuses	22,519	21,018
Provision for shareholder benefit program	35,095	35,464
Other	179,857	165,904
Total current liabilities	720,172	438,209
Non-current liabilities		
Long-term accounts payable - other	11,360	11,360
Other	3,405	1,111
Total non-current liabilities	14,765	12,471
Total liabilities	734,937	450,680
Net assets		
Shareholders' equity		
Capital stock	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	2,835,189	3,018,243
Treasury shares	(202,753)	(202,855)
Total shareholders' equity	2,837,700	3,020,652
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(3,253)	–
Foreign currency translation adjustment	165,686	147,965
Total accumulated other comprehensive income	162,432	147,965
Share acquisition rights	1,106	–
Total net assets	3,001,239	3,168,618
Total liabilities and net assets	3,736,177	3,619,299

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

(Thousands of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Net sales	3,899,326	4,150,666
Cost of sales	2,333,843	2,470,283
Gross profit	1,565,482	1,680,382
Selling, general and administrative expenses	986,531	1,120,238
Operating profit	578,950	560,144
Non-operating income		
Interest income	4,826	1,604
Share of profit of entities accounted for using equity method	–	37,488
Commission income	1,652	1,446
Other	205	1,351
Total non-operating income	6,685	41,890
Non-operating expenses		
Share of loss of entities accounted for using equity method	109,606	–
Foreign exchange losses	7,456	4,111
Other	231	255
Total non-operating expenses	117,295	4,367
Ordinary profit	468,341	597,667
Extraordinary income		
Gain on reversal of share acquisition rights	22	1,106
Total extraordinary income	22	1,106
Extraordinary losses		
Loss on retirement of non-current assets	10,808	21,759
Total extraordinary losses	10,808	21,759
Profit before income taxes	457,554	577,015
Income taxes - current	184,393	146,135
Income taxes - deferred	(16,250)	2,745
Total income taxes	168,142	148,880
Profit	289,411	428,134
Profit attributable to owners of parent	289,411	428,134

Consolidated statements of comprehensive income

(Thousands of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Profit	289,411	428,134
Other comprehensive income		
Deferred gains or losses on hedges	(578)	3,253
Foreign currency translation adjustment	(30,783)	(13,676)
Share of other comprehensive income of entities accounted for using equity method	(8,278)	(4,044)
Total other comprehensive income	(39,640)	(14,466)
Comprehensive income	249,770	413,667
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	249,770	413,667
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of changes in equity

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
Purchase of treasury shares				-	-					-
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

Year ended December 31, 2019

(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	2,835,189	(202,753)	2,837,700	(3,253)	165,686	162,432	1,106	3,001,239
Changes of items during period										
Dividends of surplus			(245,080)		(245,080)					(245,080)
Profit attributable to owners of parent			428,134		428,134					428,134
Purchase of treasury shares				(101)	(101)					(101)
Net changes of items other than shareholders' equity						3,253	(17,720)	(14,466)	(1,106)	(15,573)
Total changes of items during period	-	-	183,053	(101)	182,952	3,253	(17,720)	(14,466)	(1,106)	167,378
Balance at end of current period	87,232	118,032	3,018,243	(202,855)	3,020,652	-	147,965	147,965	-	3,168,618

Consolidated statements of cash flows

(Thousands of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	457,554	577,015
Depreciation	140,244	196,852
Increase (decrease) in allowance for doubtful accounts	(2,307)	(657)
Increase (decrease) in provision for bonuses	5,881	(825)
Interest and dividend income	(4,826)	(1,604)
Increase (decrease) in provision for shareholder benefit program	21,635	369
Share of loss (profit) of entities accounted for using equity method	109,606	(37,488)
Loss on retirement of non-current assets	10,808	21,759
Decrease (increase) in notes and accounts receivable - trade	(58,757)	(77,985)
Decrease (increase) in works in process	(969)	(18,435)
Increase (decrease) in notes and accounts payable - trade	146	(183)
Increase (decrease) in accounts payable - other	2,668	(10,409)
Other, net	(53,068)	(8,103)
Subtotal	628,616	640,301
Interest and dividend income received	4,964	4,808
Income taxes paid	(234,210)	(205,365)
Income taxes refund	24,051	23,376
Net cash provided by (used in) operating activities	423,420	463,120
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	70,400	348,500
Purchase of property, plant and equipment	(71,974)	(342,366)
Purchase of intangible assets	(85,679)	(112,092)
Purchase of shares of subsidiaries and associates	(220,500)	-
Payments for leasehold and guarantee deposits	(87,711)	(13,838)
Proceeds from collection of leasehold and guarantee deposits	-	19,007
Other, net	-	(13,167)
Net cash provided by (used in) investing activities	(395,465)	(113,957)
Cash flows from financing activities		
Purchase of treasury shares	-	(101)
Cash dividends paid	(244,708)	(244,718)
Net cash provided by (used in) financing activities	(244,708)	(244,820)
Effect of exchange rate change on cash and cash equivalents	(16,501)	(5,188)
Net increase (decrease) in cash and cash equivalents	(233,254)	99,153
Cash and cash equivalents at beginning of period	1,631,796	1,398,541
Cash and cash equivalents at end of period	1,398,541	1,497,694