

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2021 (Based on Japanese GAAP)

August 12, 2021

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 13, 2021
 Scheduled date to commence dividend payments: September 2, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for shareholders and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

(1) Consolidated financial results (cumulative)

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	%
Six months ended June 30, 2021	2,271	10.6	206	0.0	186	(25.0)	94	(44.7)
Six months ended June 30, 2020	2,054	3.6	206	(16.6)	249	7.3	171	20.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2021	10.65	–
Six months ended June 30, 2020	19.24	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	4,948	4,075	82.4
As of December 31, 2020	5,401	4,273	79.1

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, 2020	–	12.50	–	17.50	30.00
Year ending December 31, 2021	–	12.50	–	–	–
Year ending December 31, 2021 (Forecast)	–	–	–	17.50	30.00

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

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
Full year	4,771	8.9	474	7.5	522	12.3	358	(18.1)	40.26

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2021: 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: No
- 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, 2021	9,316,000 shares	As of December 31, 2020	9,316,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2021	404,074 shares	As of December 31, 2020	404,074 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, 2021	8,911,926 shares	Six months ended June 30, 2020	8,911,955 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	1,641,527	1,522,446
Notes and accounts receivable - trade	626,247	636,569
Work in process	96,839	98,685
Other	117,744	128,284
Allowance for doubtful accounts	(1,137)	(1,277)
Total current assets	2,481,221	2,384,708
Non-current assets		
Property, plant and equipment	537,926	509,980
Intangible assets	196,818	173,836
Investments and other assets		
Investment securities	1,470,000	1,168,800
Shares of subsidiaries and associates	310,713	272,897
Investments in capital of subsidiaries and associates	183,828	211,404
Deferred tax assets	21,853	29,339
Other	199,496	197,207
Total investments and other assets	2,185,892	1,879,648
Total non-current assets	2,920,637	2,563,465
Total assets	5,401,859	4,948,174
Liabilities		
Current liabilities		
Accounts payable - trade	39,696	49,631
Income taxes payable	163,996	99,457
Provision for bonuses	29,014	24,466
Provision for shareholder benefit program	1,580	–
Other	369,838	272,125
Total current liabilities	604,127	445,681
Non-current liabilities		
Retirement benefit liability	31,533	32,677
Long-term accounts payable - other	11,360	11,360
Deferred tax liabilities	481,255	383,339
Other	124	21
Total non-current liabilities	524,273	427,398
Total liabilities	1,128,400	873,079
Net assets		
Shareholders' equity		
Share capital	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	3,188,966	3,127,908
Treasury shares	(202,894)	(202,894)
Total shareholders' equity	3,191,336	3,130,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	950,441	753,012
Deferred gains or losses on hedges	(1,105)	4,212
Foreign currency translation adjustment	132,785	187,591
Total accumulated other comprehensive income	1,082,121	944,816
Total net assets	4,273,458	4,075,095
Total liabilities and net assets	5,401,859	4,948,174

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, 2020	Six months ended June 30, 2021
Net sales	2,054,870	2,271,708
Cost of sales	1,334,354	1,574,730
Gross profit	720,515	696,977
Selling, general and administrative expenses	514,338	490,736
Operating profit	206,177	206,241
Non-operating income		
Interest income	407	447
Share of profit of entities accounted for using equity method	41,538	–
Foreign exchange gains	–	3,377
Subsidy income	–	1,079
Other	3,741	463
Total non-operating income	45,687	5,368
Non-operating expenses		
Share of loss of entities accounted for using equity method	–	24,751
Foreign exchange losses	2,742	–
Total non-operating expenses	2,742	24,751
Ordinary profit	249,123	186,857
Extraordinary losses		
Loss on sales and retirement of non-current assets	78	2,079
Total extraordinary losses	78	2,079
Profit before income taxes	249,044	184,778
Income taxes - current	62,932	94,303
Income taxes - deferred	14,608	(4,426)
Total income taxes	77,541	89,876
Profit	171,502	94,901
Profit attributable to owners of parent	171,502	94,901

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	171,502	94,901
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(197,429)
Deferred gains or losses on hedges	–	5,317
Foreign currency translation adjustment	(14,932)	45,953
Share of other comprehensive income of entities accounted for using equity method	(3,584)	8,852
Total other comprehensive income	(18,516)	(137,305)
Comprehensive income	152,985	(42,404)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	152,985	(42,404)
Comprehensive income attributable to non-controlling interests	–	–

Quarterly consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	249,044	184,778
Depreciation	84,821	74,440
Interest and dividend income	(407)	(447)
Subsidy income	–	(1,079)
Share of loss (profit) of entities accounted for using equity method	(41,538)	24,751
Loss on retirement of property, plant and equipment	78	2,079
Decrease (increase) in trade receivables	134,634	(8,097)
Increase (decrease) in trade payables	(8,737)	9,934
Decrease (increase) in works in process	(16,740)	(1,933)
Increase (decrease) in allowance for doubtful accounts	(102)	140
Increase (decrease) in provision for bonuses	(8,259)	(6,026)
Increase (decrease) in retirement benefit liability	5,569	1,143
Increase (decrease) in provision for shareholder benefit program	(28,399)	(1,580)
Increase (decrease) in accounts payable - other	(11,162)	(21,920)
Other, net	(67,689)	(90,887)
Subtotal	291,110	165,296
Interest and dividends received	355	194
Subsidies received	–	1,079
Income taxes paid	(91,511)	(167,208)
Income taxes refund	–	20,397
Net cash provided by (used in) operating activities	199,954	19,758
Cash flows from investing activities		
Purchase of property, plant and equipment	(75,967)	(8,582)
Purchase of intangible assets	(47,799)	(9,387)
Payments of leasehold and guarantee deposits	(8,841)	(90)
Proceeds from refund of leasehold and guarantee deposits	86	733
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(238,302)	–
Net cash provided by (used in) investing activities	(370,824)	(17,326)
Cash flows from financing activities		
Dividends paid	(156,230)	(155,694)
Net cash provided by (used in) financing activities	(156,230)	(155,694)
Effect of exchange rate change on cash and cash equivalents	(11,867)	12,821
Net increase (decrease) in cash and cash equivalents	(338,967)	(140,441)
Cash and cash equivalents at beginning of period	1,497,694	1,321,127
Cash and cash equivalents at end of period	1,158,727	1,180,686