

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2021 (Based on Japanese GAAP)

February 14, 2022

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 25, 2022
 Scheduled date to file Securities Report: March 25, 2022
 Scheduled date to commence dividend payments: March 28, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021	4,696	7.2	437	(0.9)	370	(20.3)	658	50.2
Year ended December 31, 2020	4,380	5.5	441	(21.1)	465	(22.1)	438	2.3

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2021	73.85	–	14.1	6.3	9.3
Year ended December 31, 2020	49.16	–	11.8	10.3	10.1

(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, 2021	6,377	5,050	79.2	566.73
As of December 31, 2020	5,401	4,273	79.1	479.52

(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, 2021	230	483	(267)	1,794
Year ended December 31, 2020	513	(411)	(267)	1,321

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, 2020	–	12.50	–	17.50	30.00	267	61.0	7.2
Year ended December 31, 2021	–	12.50	–	19.50	32.00	285	43.3	6.1
Year ending December 31, 2022 (Forecast)	–	14.00	–	18.00	32.00		77.7	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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, 2022	2,449	7.8	158	(22.9)	145	(22.2)	99	4.9	11.17
Full year	5,105	8.7	460	5.2	501	35.2	366	(44.3)	41.17

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(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:

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, 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 December 31, 2021	∴	404,074 shares	As of December 31, 2020	∴	404,074 shares
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Average number of shares during the period

Year ended December 31, 2021	∴	8,911,926 shares	Year ended December 31, 2020	∴	8,911,940 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,641,527	2,147,833
Notes and accounts receivable - trade	626,247	652,903
Work in process	96,839	102,675
Prepaid expenses	48,813	64,965
Income taxes receivable	2,965	1,283
Other	65,966	94,225
Allowance for doubtful accounts	(1,137)	(2,460)
Total current assets	2,481,221	3,061,427
Non-current assets		
Property, plant and equipment		
Buildings and structures	372,861	383,743
Accumulated depreciation	(145,676)	(175,260)
Buildings and structures, net	227,185	208,482
Tools, furniture and fixtures	481,533	503,301
Accumulated depreciation	(313,662)	(378,470)
Tools, furniture and fixtures, net	167,871	124,830
Other	11,430	10,622
Accumulated depreciation	(7,561)	(8,279)
Other, net	3,869	2,342
Land	139,000	139,000
Total property, plant and equipment	537,926	474,655
Intangible assets		
Software	170,106	133,738
Software in progress	10,304	960
Other	16,408	14,676
Total intangible assets	196,818	149,374
Investments and other assets		
Investment securities	1,470,000	2,012,320
Shares of subsidiaries and associates	310,713	216,488
Investments in capital of subsidiaries and associates	183,828	232,166
Leasehold and guarantee deposits	198,931	203,681
Deferred tax assets	21,853	26,393
Other	564	624
Total investments and other assets	2,185,892	2,691,673
Total non-current assets	2,920,637	3,315,703
Total assets	5,401,859	6,377,131

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	39,696	56,447
Accounts payable - other	126,745	129,927
Income taxes payable	163,996	271,500
Advances received	30,718	32,513
Provision for bonuses	29,014	27,419
Provision for shareholder benefit program	1,580	–
Other	212,374	148,592
Total current liabilities	604,127	666,400
Non-current liabilities		
Retirement benefit liability	31,533	34,452
Long-term accounts payable - other	11,360	11,360
Deferred tax liabilities	481,255	614,266
Other	124	14
Total non-current liabilities	524,273	660,093
Total liabilities	1,128,400	1,326,494
Net assets		
Shareholders' equity		
Share capital	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	3,188,966	3,579,709
Treasury shares	(202,894)	(202,894)
Total shareholders' equity	3,191,336	3,582,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	950,441	1,242,994
Deferred gains or losses on hedges	(1,105)	(717)
Foreign currency translation adjustment	132,785	226,279
Total accumulated other comprehensive income	1,082,121	1,468,556
Total net assets	4,273,458	5,050,636
Total liabilities and net assets	5,401,859	6,377,131

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

(Thousands of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Net sales	4,380,607	4,696,287
Cost of sales	2,914,752	3,233,830
Gross profit	1,465,854	1,462,457
Selling, general and administrative expenses	1,023,865	1,024,585
Operating profit	441,989	437,872
Non-operating income		
Interest income	946	705
Gain on sale of membership	5,000	–
Share of profit of entities accounted for using equity method	11,644	–
Foreign exchange gains	–	3,618
Subsidy income	7,779	2,243
Other	4,459	865
Total non-operating income	29,830	7,432
Non-operating expenses		
Share of loss of entities accounted for using equity method	–	72,325
Foreign exchange losses	6,209	–
Other	170	2,094
Total non-operating expenses	6,380	74,419
Ordinary profit	465,438	370,884
Extraordinary income		
Gain on sale of businesses	206,472	–
Gain on sale of investment securities	–	622,376
Total extraordinary income	206,472	622,376
Extraordinary losses		
Loss on retirement of non-current assets	1,985	2,451
Total extraordinary losses	1,985	2,451
Profit before income taxes	669,925	990,809
Income taxes - current	218,956	358,207
Income taxes - deferred	12,887	(25,500)
Total income taxes	231,843	332,707
Profit	438,081	658,101
Profit attributable to owners of parent	438,081	658,101

Consolidated statements of comprehensive income

(Thousands of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Profit	438,081	658,101
Other comprehensive income		
Valuation difference on available-for-sale securities	950,441	292,552
Deferred gains or losses on hedges	(1,105)	388
Foreign currency translation adjustment	(22,480)	75,956
Share of other comprehensive income of entities accounted for using equity method	7,300	17,537
Total other comprehensive income	934,155	386,434
Comprehensive income	1,372,237	1,044,536
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,372,237	1,044,536
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	87,232	118,032	3,018,243	(202,855)	3,020,652	–	–	147,965	147,965	3,168,618
Changes during period										
Dividends of surplus			(267,358)		(267,358)					(267,358)
Profit attributable to owners of parent			438,081		438,081					438,081
Purchase of treasury shares				(39)	(39)					(39)
Net changes in items other than shareholders' equity						950,441	(1,105)	(15,180)	934,155	934,155
Total changes during period	–	–	170,723	(39)	170,683	950,441	(1,105)	(15,180)	934,155	1,104,839
Balance at end of period	87,232	118,032	3,188,966	(202,894)	3,191,336	950,441	(1,105)	132,785	1,082,121	4,273,458

Year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	87,232	118,032	3,188,966	(202,894)	3,191,336	950,441	(1,105)	132,785	1,082,121	4,273,458
Changes during period										
Dividends of surplus			(267,357)		(267,357)					(267,357)
Profit attributable to owners of parent			658,101		658,101					658,101
Purchase of treasury shares				–	–					–
Net changes in items other than shareholders' equity						292,552	388	93,494	386,434	386,434
Total changes during period	–	–	390,743	–	390,743	292,552	388	93,494	386,434	777,178
Balance at end of period	87,232	118,032	3,579,709	(202,894)	3,582,080	1,242,994	(717)	226,279	1,468,556	5,050,636

Consolidated statements of cash flows

(Thousands of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	669,925	990,809
Depreciation	172,770	151,271
Share of loss (profit) of entities accounted for using equity method	(11,644)	72,325
Subsidy income	(7,779)	(2,243)
Loss (gain) on sale of membership	(5,000)	–
Loss on retirement of non-current assets	1,985	2,451
Loss (gain) on sale of investment securities	–	(622,376)
Loss (gain) on sale of businesses	(206,472)	–
Interest and dividend income	(946)	(705)
Decrease (increase) in trade receivables	98,078	(26,621)
Decrease (increase) in works in process	(7,962)	(6,049)
Increase (decrease) in allowance for doubtful accounts	(303)	1,322
Increase (decrease) in provision for bonuses	(2,228)	(4,559)
Increase (decrease) in retirement benefit liability	7,329	2,918
Increase (decrease) in provision for shareholder benefit program	(33,883)	(1,580)
Increase (decrease) in trade payables	(6,673)	16,750
Increase (decrease) in accounts payable - other	(5,590)	11,543
Other, net	22,158	(82,740)
Subtotal	683,763	502,517
Interest and dividends received	740	791
Subsidies received	7,779	2,243
Income taxes paid	(179,262)	(295,902)
Income taxes refund	–	20,397
Net cash provided by (used in) operating activities	513,021	230,046
Cash flows from investing activities		
Payments into time deposits	(329,280)	–
Proceeds from withdrawal of time deposits	–	818
Purchase of property, plant and equipment	(97,812)	(24,928)
Purchase of investment securities	–	(100,000)
Proceeds from sale of investment securities	–	626,376
Purchase of intangible assets	(67,911)	(12,900)
Payments of leasehold and guarantee deposits	(3,645)	(10,907)
Proceeds from refund of leasehold and guarantee deposits	196	4,926
Proceeds from sale of membership	5,000	–
Proceeds from sale of businesses	320,000	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(238,302)	–
Net cash provided by (used in) investing activities	(411,755)	483,384
Cash flows from financing activities		
Purchase of treasury shares	(39)	–
Dividends paid	(267,708)	(267,437)
Net cash provided by (used in) financing activities	(267,748)	(267,437)
Effect of exchange rate change on cash and cash equivalents	(10,084)	27,562
Net increase (decrease) in cash and cash equivalents	(176,567)	473,556
Cash and cash equivalents at beginning of period	1,497,694	1,321,127
Cash and cash equivalents at end of period	1,321,127	1,794,683