

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2022
(Based on Japanese GAAP)**

February 13, 2023

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 24, 2023
 Scheduled date to file Securities Report: March 24, 2023
 Scheduled date to commence dividend payments: March 27, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022 | 4,818 | 2.6 | 65 | (85.0) | 216 | (41.5) | 359 | (45.4) |
| Year ended December 31, 2021 | 4,696 | 7.2 | 437 | (0.9) | 370 | (20.3) | 658 | 50.2 |

| | Earnings per share | Diluted earnings per share | Return on equity | Ordinary profit/total assets | Operating profit/net sales |
|------------------------------|--------------------|----------------------------|------------------|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended December 31, 2022 | 40.28 | – | 7.6 | 3.8 | 1.4 |
| Year ended December 31, 2021 | 73.85 | – | 14.1 | 6.3 | 9.3 |

(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, 2022 | 5,077 | 4,391 | 86.5 | 492.11 |
| As of December 31, 2021 | 6,377 | 5,050 | 79.2 | 566.73 |

(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, 2022 | (167) | (330) | (298) | 1,025 |
| Year ended December 31, 2021 | 230 | 483 | (267) | 1,794 |

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, 2021 | – | 12.50 | – | 19.50 | 32.00 | 285 | 43.3 | 6.1 |
| Year ended December 31, 2022 | – | 14.00 | – | 18.00 | 32.00 | 285 | 79.5 | 6.0 |
| Year ending December 31, 2023 (Forecast) | – | 14.00 | – | 18.00 | 32.00 | | 93.2 | |

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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, 2023 | 2,386 | 0.3 | 46 | 7.3 | 109 | 29.3 | 155 | (2.5) | 17.39 |
| Full year | 4,918 | 2.1 | 125 | 91.1 | 289 | 33.4 | 306 | (14.8) | 34.33 |

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022

(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:

Yes

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, 2022 | 9,316,000 shares | As of December 31, 2021 | 9,316,000 shares |
|-------------------------|------------------|-------------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|-------------------------|----------------|
| As of December 31, 2022 | 392,274 shares | As of December 31, 2021 | 404,074 shares |
|-------------------------|----------------|-------------------------|----------------|

Average number of shares during the period

| | | | |
|------------------------------|------------------|------------------------------|------------------|
| Year ended December 31, 2022 | 8,919,792 shares | Year ended December 31, 2021 | 8,911,926 shares |
|------------------------------|------------------|------------------------------|------------------|

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of December 31, 2021 | As of December 31, 2022 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,147,833 | 1,406,615 |
| Notes and accounts receivable - trade | 652,903 | 626,688 |
| Work in process | 102,675 | 137,553 |
| Prepaid expenses | 64,965 | 79,577 |
| Income taxes refund receivable | 1,283 | 118,361 |
| Other | 94,225 | 40,343 |
| Allowance for doubtful accounts | (2,460) | (914) |
| Total current assets | 3,061,427 | 2,408,225 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and buildings and accompanying facilities | 377,667 | 570,912 |
| Accumulated depreciation-buildings and buildings and accompanying facilities | (175,260) | (204,339) |
| Buildings and buildings and accompanying facilities, net | 202,406 | 366,573 |
| Tools, furniture and fixtures | 503,301 | 524,630 |
| Accumulated depreciation | (378,470) | (415,429) |
| Tools, furniture and fixtures, net | 124,830 | 109,200 |
| Other | 16,698 | 16,696 |
| Accumulated depreciation | (8,279) | (14,795) |
| Other, net | 8,418 | 1,900 |
| Land | 139,000 | 139,000 |
| Total property, plant and equipment | 474,655 | 616,674 |
| Intangible assets | | |
| Software | 133,738 | 94,158 |
| Software in progress | 960 | 960 |
| Other | 14,676 | 12,944 |
| Total intangible assets | 149,374 | 108,062 |
| Investments and other assets | | |
| Investment securities | 2,012,320 | 775,360 |
| Shares of subsidiaries and associates | 216,488 | 482,950 |
| Investments in capital of subsidiaries and associates | 232,166 | 270,840 |
| Long-term loans receivable | 332 | 180,412 |
| Leasehold and guarantee deposits | 203,681 | 204,419 |
| Deferred tax assets | 26,393 | 27,009 |
| Other | 292 | 3,868 |
| Total investments and other assets | 2,691,673 | 1,944,859 |
| Total non-current assets | 3,315,703 | 2,669,596 |
| Total assets | 6,377,131 | 5,077,822 |

(Thousands of yen)

| | As of December 31, 2021 | As of December 31, 2022 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 56,447 | 94,081 |
| Accounts payable - other | 129,927 | 149,438 |
| Income taxes payable | 271,500 | 4,975 |
| Contract liabilities | – | 36,852 |
| Advances received | 32,513 | – |
| Provision for bonuses | 27,419 | 32,648 |
| Other | 148,592 | 105,363 |
| Total current liabilities | 666,400 | 423,360 |
| Non-current liabilities | | |
| Retirement benefit liability | 34,452 | 37,932 |
| Long-term accounts payable - other | 11,360 | 11,360 |
| Deferred tax liabilities | 614,266 | 213,711 |
| Other | 14 | – |
| Total non-current liabilities | 660,093 | 263,003 |
| Total liabilities | 1,326,494 | 686,363 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 87,232 | 87,232 |
| Capital surplus | 118,032 | 120,107 |
| Retained earnings | 3,579,709 | 3,640,242 |
| Treasury shares | (202,894) | (196,969) |
| Total shareholders' equity | 3,582,080 | 3,650,613 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,242,994 | 434,817 |
| Deferred gains or losses on hedges | (717) | – |
| Foreign currency translation adjustment | 226,279 | 306,027 |
| Total accumulated other comprehensive income | 1,468,556 | 740,844 |
| Total net assets | 5,050,636 | 4,391,458 |
| Total liabilities and net assets | 6,377,131 | 5,077,822 |

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

| | (Thousands of yen) | |
|---|------------------------------|------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2022 |
| Net sales | 4,696,287 | 4,818,253 |
| Cost of sales | 3,233,830 | 3,608,121 |
| Gross profit | 1,462,457 | 1,210,131 |
| Selling, general and administrative expenses | 1,024,585 | 1,144,370 |
| Operating profit | 437,872 | 65,761 |
| Non-operating income | | |
| Interest income | 705 | 5,353 |
| Share of profit of entities accounted for using equity method | – | 97,605 |
| Foreign exchange gains | 3,618 | 38,344 |
| Subsidy income | 2,243 | 8,380 |
| Other | 865 | 1,532 |
| Total non-operating income | 7,432 | 151,215 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | 72,325 | – |
| Other | 2,094 | – |
| Total non-operating expenses | 74,419 | – |
| Ordinary profit | 370,884 | 216,976 |
| Extraordinary income | | |
| Gain on sale of non-current assets | – | 4 |
| Gain on sale of investment securities | 622,376 | 254,938 |
| Total extraordinary income | 622,376 | 254,942 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 2,451 | 273 |
| Total extraordinary losses | 2,451 | 273 |
| Profit before income taxes | 990,809 | 471,645 |
| Income taxes - current | 358,207 | 89,163 |
| Income taxes - deferred | (25,500) | 23,235 |
| Total income taxes | 332,707 | 112,398 |
| Profit | 658,101 | 359,247 |
| Profit attributable to owners of parent | 658,101 | 359,247 |

Consolidated statements of comprehensive income

(Thousands of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|------------------------------|------------------------------|
| Profit | 658,101 | 359,247 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 292,552 | (808,176) |
| Deferred gains or losses on hedges | 388 | 717 |
| Foreign currency translation adjustment | 75,956 | 82,650 |
| Share of other comprehensive income of entities accounted for using equity method | 17,537 | (2,901) |
| Total other comprehensive income | 386,434 | (727,711) |
| Comprehensive income | 1,044,536 | (368,464) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,044,536 | (368,464) |
| Comprehensive income attributable to non-controlling interests | — | — |

Consolidated statements of changes in equity

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 |
| Disposal 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 |

Year ended December 31, 2022

(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 | 3,579,709 | (202,894) | 3,582,080 | 1,242,994 | (717) | 226,279 | 1,468,556 | 5,050,636 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | (298,714) | | (298,714) | | | | | (298,714) |
| Profit attributable to owners of parent | | | 359,247 | | 359,247 | | | | | 359,247 |
| Disposal of treasury shares | | 2,075 | | 5,925 | 8,000 | | | | | 8,000 |
| Net changes in items other than shareholders' equity | | | | | | (808,176) | 717 | 79,748 | (727,711) | (727,711) |
| Total changes during period | - | 2,075 | 60,532 | 5,925 | 68,533 | (808,176) | 717 | 79,748 | (727,711) | (659,178) |
| Balance at end of period | 87,232 | 120,107 | 3,640,242 | (196,969) | 3,650,613 | 434,817 | - | 306,027 | 740,844 | 4,391,458 |

Consolidated statements of cash flows

(Thousands of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|--|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 990,809 | 471,645 |
| Depreciation | 151,271 | 144,216 |
| Share of loss (profit) of entities accounted for using equity method | 72,325 | (97,605) |
| Subsidy income | (2,243) | (8,380) |
| Loss (gain) on sale of non-current assets | - | (4) |
| Loss on retirement of non-current assets | 2,451 | 273 |
| Loss (gain) on sale of investment securities | (622,376) | (254,938) |
| Interest and dividend income | (705) | (5,353) |
| Decrease (increase) in trade receivables | (26,621) | 10,422 |
| Decrease (increase) in works in process | (6,049) | (34,859) |
| Increase (decrease) in allowance for doubtful accounts | 1,322 | (1,545) |
| Increase (decrease) in provision for bonuses | (4,559) | 4,188 |
| Increase (decrease) in retirement benefit liability | 2,918 | 3,480 |
| Increase (decrease) in provision for shareholder benefit program | (1,580) | - |
| Increase (decrease) in trade payables | 16,750 | 37,634 |
| Increase (decrease) in accounts payable - other | 11,543 | 14,494 |
| Other, net | (82,740) | (53,907) |
| Subtotal | 502,517 | 229,760 |
| Interest and dividends received | 791 | 1,223 |
| Subsidies received | 2,243 | 8,380 |
| Income taxes paid | (295,902) | (481,814) |
| Income taxes refund | 20,397 | 74,458 |
| Net cash provided by (used in) operating activities | 230,046 | (167,992) |
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | 818 | 25,814 |
| Purchase of property, plant and equipment | (24,928) | (217,674) |
| Proceeds from sale of property, plant and equipment | - | 131 |
| Purchase of investment securities | (100,000) | - |
| Proceeds from sale of investment securities | 626,376 | 258,938 |
| Purchase of intangible assets | (12,900) | (15,682) |
| Loan advances | - | (200,350) |
| Proceeds from collection of loans receivable | - | 20,088 |
| Purchase of shares of subsidiaries and associates | - | (196,000) |
| Payments of leasehold and guarantee deposits | (10,907) | (6,164) |
| Proceeds from refund of leasehold and guarantee deposits | 4,926 | 791 |
| Net cash provided by (used in) investing activities | 483,384 | (330,107) |
| Cash flows from financing activities | | |
| Dividends paid | (267,437) | (298,672) |
| Net cash provided by (used in) financing activities | (267,437) | (298,672) |
| Effect of exchange rate change on cash and cash equivalents | 27,562 | 27,264 |
| Net increase (decrease) in cash and cash equivalents | 473,556 | (769,507) |
| Cash and cash equivalents at beginning of period | 1,321,127 | 1,794,683 |
| Cash and cash equivalents at end of period | 1,794,683 | 1,025,175 |