

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2023
(Based on Japanese GAAP)**

February 13, 2024

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, 2024
 Scheduled date to file Securities Report: March 26, 2024
 Scheduled date to commence dividend payments: March 27, 2024
 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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	5,059	5.0	161	146.0	425	96.3	626	74.4
Year ended December 31, 2022	4,818	2.6	65	(85.0)	216	(41.5)	359	(45.4)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	70.14	–	13.8	8.0	3.2
Year ended December 31, 2022	40.28	–	7.6	3.8	1.4

(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, 2023	5,602	4,677	83.5	523.49
As of December 31, 2022	5,077	4,391	86.5	492.11

(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, 2023	465	303	(325)	1,502
Year ended December 31, 2022	(167)	(330)	(298)	1,025

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, 2022	–	14.00	–	18.00	32.00	285	79.5	6.0
Year ended December 31, 2023	–	14.00	–	18.00	32.00	285	45.6	6.3
Year ending December 31, 2024 (Forecast)	–	14.00	–	18.00	32.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

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, 2024	2,685	11.7	84	55.8	93	18.6	147	(17.4)	16.46
Full year	5,660	11.9	273	68.8	411	(3.3)	485	(22.6)	54.31

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Yes

(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, 2023	9,316,000 shares	As of December 31, 2022	9,316,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	379,926 shares	As of December 31, 2022	392,274 shares
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Average number of shares during the period

Year ended December 31, 2023	8,931,958 shares	Year ended December 31, 2022	8,919,792 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,406,615	1,502,405
Notes and accounts receivable - trade	626,688	658,494
Work in process	137,553	203,040
Prepaid expenses	79,577	81,896
Income taxes refund receivable	118,361	–
Other	40,343	63,742
Allowance for doubtful accounts	(914)	(509)
Total current assets	2,408,225	2,509,069
Non-current assets		
Property, plant and equipment		
Buildings and buildings and accompanying facilities	570,912	522,299
Accumulated depreciation	(204,339)	(216,079)
Buildings and buildings and accompanying facilities, net	366,573	306,220
Tools, furniture and fixtures	524,630	472,221
Accumulated depreciation	(415,429)	(396,749)
Tools, furniture and fixtures, net	109,200	75,472
Other	16,696	17,475
Accumulated depreciation	(14,795)	(15,573)
Other, net	1,900	1,901
Land	139,000	139,000
Total property, plant and equipment	616,674	522,593
Intangible assets		
Software	94,158	42,042
Software in progress	960	–
Other	12,944	11,212
Total intangible assets	108,062	53,255
Investments and other assets		
Investment securities	775,360	596,800
Shares of subsidiaries and associates	482,950	671,283
Investments in capital of subsidiaries and associates	270,840	471,080
Long-term loans receivable	180,412	557,076
Leasehold and guarantee deposits	204,419	191,064
Deferred tax assets	27,009	25,020
Other	3,868	5,227
Total investments and other assets	1,944,859	2,517,552
Total non-current assets	2,669,596	3,093,401
Total assets	5,077,822	5,602,471

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	94,081	122,814
Accounts payable - other	149,438	199,709
Income taxes payable	4,975	119,464
Contract liabilities	36,852	58,006
Provision for bonuses	32,648	20,603
Other	105,363	149,461
Total current liabilities	423,360	670,059
Non-current liabilities		
Retirement benefit liability	37,932	42,622
Long-term accounts payable - other	11,360	11,360
Deferred tax liabilities	213,711	136,484
Other	—	64,016
Total non-current liabilities	263,003	254,483
Total liabilities	686,363	924,542
Net assets		
Shareholders' equity		
Share capital	87,232	87,232
Capital surplus	120,107	122,909
Retained earnings	3,640,242	3,981,038
Treasury shares	(196,969)	(190,768)
Total shareholders' equity	3,650,613	4,000,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	434,817	320,397
Foreign currency translation adjustment	306,027	357,120
Total accumulated other comprehensive income	740,844	677,517
Total net assets	4,391,458	4,677,929
Total liabilities and net assets	5,077,822	5,602,471

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

	(Thousands of yen)	
	Year ended December 31, 2022	Year ended December 31, 2023
Net sales	4,818,253	5,059,763
Cost of sales	3,608,121	3,738,613
Gross profit	1,210,131	1,321,149
Selling, general and administrative expenses	1,144,370	1,159,378
Operating profit	65,761	161,771
Non-operating income		
Interest income	5,353	11,193
Share of profit of entities accounted for using equity method	97,605	257,682
Foreign exchange gains	38,344	–
Subsidy income	8,380	8,799
Other	1,532	1,198
Total non-operating income	151,215	278,873
Non-operating expenses		
Interest expenses	–	1,922
Foreign exchange losses	–	12,826
Total non-operating expenses	–	14,748
Ordinary profit	216,976	425,896
Extraordinary income		
Gain on sale of investments in capital of subsidiaries and associates	–	70,178
Gain on sale of non-current assets	4	–
Gain on sale of investment securities	254,938	280,971
Total extraordinary income	254,942	351,150
Extraordinary losses		
Loss on retirement of non-current assets	273	490
Total extraordinary losses	273	490
Profit before income taxes	471,645	776,556
Income taxes - current	89,163	165,126
Income taxes - deferred	23,235	(15,098)
Total income taxes	112,398	150,028
Profit	359,247	626,528
Profit attributable to owners of parent	359,247	626,528

Consolidated statements of comprehensive income

(Thousands of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Profit	359,247	626,528
Other comprehensive income		
Valuation difference on available-for-sale securities	(808,176)	(114,420)
Deferred gains or losses on hedges	717	–
Foreign currency translation adjustment	82,650	28,893
Share of other comprehensive income of entities accounted for using equity method	(2,901)	22,200
Total other comprehensive income	(727,711)	(63,326)
Comprehensive income	(368,464)	563,201
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(368,464)	563,201
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of changes in equity

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

Year ended December 31, 2023

(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	120,107	3,640,242	(196,969)	3,650,613	434,817	–	306,027	740,844	4,391,458
Changes during period										
Dividends of surplus			(285,732)		(285,732)					(285,732)
Profit attributable to owners of parent			626,528		626,528					626,528
Disposal of treasury shares		2,801		6,200	9,001					9,001
Net changes in items other than shareholders' equity						(114,420)	–	51,093	(63,326)	(63,326)
Total changes during period	–	2,801	340,795	6,200	349,797	(114,420)	–	51,093	(63,326)	286,470
Balance at end of period	87,232	122,909	3,981,038	(190,768)	4,000,411	320,397	–	357,120	677,517	4,677,929

Consolidated statements of cash flows

(Thousands of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	471,645	776,556
Depreciation	144,216	142,170
Interest and dividend income	(5,353)	(11,193)
Subsidy income	(8,380)	(8,799)
Share of loss (profit) of entities accounted for using equity method	(97,605)	(257,682)
Interest expenses	–	1,922
Loss (gain) on sale of investments in capital of subsidiaries and associates	–	(70,178)
Loss (gain) on sale of investment securities	(254,938)	(280,971)
Loss (gain) on sale of non-current assets	(4)	–
Loss on retirement of non-current assets	273	490
Decrease (increase) in trade receivables	10,422	(31,781)
Increase (decrease) in trade payables	37,634	2,577
Decrease (increase) in works in process	(34,859)	(65,604)
Increase (decrease) in accounts payable - other	14,494	50,542
Increase (decrease) in allowance for doubtful accounts	(1,545)	(405)
Increase (decrease) in provision for bonuses	4,188	(1,505)
Increase (decrease) in retirement benefit liability	3,480	4,690
Other, net	(53,907)	140,553
Subtotal	229,760	391,381
Interest and dividends received	1,223	15,755
Interest paid	–	(1,922)
Subsidies received	8,380	8,799
Income taxes paid	(481,814)	(66,689)
Income taxes refund	74,458	118,396
Net cash provided by (used in) operating activities	(167,992)	465,720
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	25,814	404,074
Purchase of property, plant and equipment	(217,674)	(28,727)
Proceeds from sale of property, plant and equipment	131	–
Purchase of intangible assets	(15,682)	–
Proceeds from sale of investment securities	258,938	284,971
Purchase of shares of subsidiaries and associates	(196,000)	–
Proceeds from the sale of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	–	18,662
Loan advances	(200,350)	(557,000)
Proceeds from collection of loans receivable	20,088	180,336
Payments of leasehold and guarantee deposits	(6,164)	(519)
Proceeds from refund of leasehold and guarantee deposits	791	1,345
Net cash provided by (used in) investing activities	(330,107)	303,143
Cash flows from financing activities		
Repayments of short-term borrowings	–	(39,740)
Dividends paid	(298,672)	(285,600)
Net cash provided by (used in) financing activities	(298,672)	(325,340)
Effect of exchange rate change on cash and cash equivalents	27,264	33,705
Net increase (decrease) in cash and cash equivalents	(769,507)	477,229
Cash and cash equivalents at beginning of period	1,794,683	1,025,175
Cash and cash equivalents at end of period	1,025,175	1,502,405