

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2019
(Based on Japanese GAAP)**

August 8, 2019

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 9, 2019
 Scheduled date to commence dividend payments: September 3, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2019 (from January 1, 2019 to June 30, 2019)

(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, 2019	1,984	9.8	247	18.3	232	53.9	142	80.4
Six months ended June 30, 2018	1,807	9.6	209	(20.2)	150	(40.9)	79	(54.3)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2019	16.00	—
Six months ended June 30, 2018	8.87	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	3,424	2,984	87.1
As of December 31, 2018	3,736	3,001	80.3

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, 2018	—	12.50	—	15.00	27.50
Year ending December 31, 2019	—	12.50			
Year ending December 31, 2019 (Forecast)			—	15.00	27.50

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

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	4,022	3.2	571	(1.3)	538	14.9	349	20.6	39.16

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2019: 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, 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 June 30, 2019	404,006 shares	As of December 31, 2018	403,962 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, 2019	8,912,023 shares	Six months ended June 30, 2018	8,912,038 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	1,753,041	1,382,946
Notes and accounts receivable - trade	559,145	583,196
Work in process	45,169	87,627
Other	117,599	78,092
Allowance for doubtful accounts	(1,946)	(1,890)
Total current assets	2,473,009	2,129,971
Non-current assets		
Property, plant and equipment	339,281	388,368
Intangible assets	228,382	257,414
Investments and other assets		
Shares of subsidiaries and associates	296,218	269,685
Investments in capital of subsidiaries and associates	151,212	153,192
Deferred tax assets	40,884	20,015
Other	207,189	205,741
Total investments and other assets	695,504	648,634
Total non-current assets	1,263,168	1,294,418
Total assets	3,736,177	3,424,389
Liabilities		
Current liabilities		
Accounts payable - trade	6,910	6,869
Income taxes payable	121,002	62,206
Provision for bonuses	22,519	9,233
Provision for shareholder benefit program	35,095	4,783
Other	534,644	343,572
Total current liabilities	720,172	426,664
Non-current liabilities		
Long-term accounts payable - other	11,360	11,360
Other	3,405	2,116
Total non-current liabilities	14,765	13,476
Total liabilities	734,937	440,140
Net assets		
Shareholders' equity		
Capital stock	87,232	87,232
Capital surplus	118,032	118,032
Retained earnings	2,835,189	2,844,118
Treasury shares	(202,753)	(202,796)
Total shareholders' equity	2,837,700	2,846,586
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(3,253)	(2,297)
Foreign currency translation adjustment	165,686	139,960
Total accumulated other comprehensive income	162,432	137,663
Share acquisition rights	1,106	—
Total net assets	3,001,239	2,984,249
Total liabilities and net assets	3,736,177	3,424,389

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, 2018	Six months ended June 30, 2019
Net sales	1,807,750	1,984,139
Cost of sales	1,157,345	1,165,946
Gross profit	650,405	818,192
Selling, general and administrative expenses	441,362	570,891
Operating profit	209,042	247,301
Non-operating income		
Interest income	2,373	1,198
Foreign exchange gains	–	1,507
Commission fee	–	1,446
Other	668	946
Total non-operating income	3,042	5,097
Non-operating expenses		
Share of loss of entities accounted for using equity method	58,066	19,934
Foreign exchange losses	2,854	–
Other	231	201
Total non-operating expenses	61,152	20,135
Ordinary profit	150,932	232,262
Extraordinary income		
Gain on reversal of share acquisition rights	17	1,106
Total extraordinary income	17	1,106
Extraordinary losses		
Loss on sales and retirement of non-current assets	134	21,094
Total extraordinary losses	134	21,094
Profit before income taxes	150,815	212,274
Income taxes - current	67,387	49,298
Income taxes - deferred	4,376	20,366
Total income taxes	71,764	69,664
Profit	79,051	142,609
Profit attributable to owners of parent	79,051	142,609

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	79,051	142,609
Other comprehensive income		
Deferred gains or losses on hedges	269	956
Foreign currency translation adjustment	(24,664)	(23,586)
Share of other comprehensive income of entities accounted for using equity method	(3,169)	(2,138)
Total other comprehensive income	(27,563)	(24,769)
Comprehensive income	51,487	117,840
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	51,487	117,840
Comprehensive income attributable to non-controlling interests	-	-

Quarterly consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	150,815	212,274
Depreciation	61,855	96,703
Increase (decrease) in allowance for doubtful accounts	827	(55)
Interest and dividend income	(2,373)	(1,198)
Share of loss (profit) of entities accounted for using equity method	58,066	19,934
Decrease (increase) in notes and accounts receivable - trade	(58,204)	(25,990)
Increase (decrease) in notes and accounts payable - trade	(4,098)	(41)
Increase (decrease) in provision for bonuses	(8,935)	(13,066)
Decrease (increase) in works in process	9,402	(42,457)
Increase (decrease) in provision for shareholder benefit program	(8,593)	(30,312)
Loss on retirement of property, plant and equipment	134	21,094
Increase (decrease) in accounts payable - other	9,329	9,225
Other, net	(5,225)	14,270
Subtotal	202,998	260,381
Interest and dividend income received	4,518	4,397
Income taxes paid	(171,497)	(114,889)
Income taxes refund	24,283	23,376
Net cash provided by (used in) operating activities	60,302	173,265
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	69,200	350,750
Purchase of shares of subsidiaries and associates	(220,500)	-
Purchase of property, plant and equipment	(24,770)	(326,194)
Purchase of intangible assets	(49,546)	(71,026)
Payments for lease and guarantee deposits	-	(572)
Proceeds from collection of lease and guarantee deposits	-	19,007
Other, net	(86)	(13,167)
Net cash provided by (used in) investing activities	(225,703)	(41,204)
Cash flows from financing activities		
Purchase of treasury shares	-	(43)
Cash dividends paid	(133,539)	(133,260)
Net cash provided by (used in) financing activities	(133,539)	(133,303)
Effect of exchange rate change on cash and cash equivalents	(7,635)	(14,351)
Net increase (decrease) in cash and cash equivalents	(306,575)	(15,594)
Cash and cash equivalents at beginning of period	1,631,796	1,398,541
Cash and cash equivalents at end of period	1,325,220	1,382,946