

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2015 (Based on Japanese GAAP)

January 29, 2016

Company name: ARGO GRAPHICS Inc.
 Stock exchange listing: Tokyo
 Stock code: 7595 URL <http://www.argo-graph.co.jp>
 Representative: Chairman and CEO Yoshimaro Fujisawa
 Inquiries: Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: February 12, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2015	24,128	6.9	1,544	6.7	1,717	5.7	1,058	0.8
Nine months ended December 31, 2014	22,577	1.7	1,447	4.9	1,625	6.3	1,050	12.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2015	100.04		99.35	
Nine months ended December 31, 2014	101.87		100.61	

(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, 2015	31,099	22,474	67.6	1,981.24
As of March 31, 2015	30,265	20,948	64.2	1,861.71

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2015	–	30.00	–	30.00	60.00
Year ending March 31, 2016	–	30.00	–		
Year ending March 31, 2016 (Forecast)				30.00	60.00

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	36,000	15.4	2,600	14.1	2,850	12.4	1,770	8.4	169.50

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2015
 (changes in specified subsidiaries resulting in the change in scope of consolidation): 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: Yes
- 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 December 31, 2015	11,115,800 shares	As of March 31, 2015	10,942,800 shares
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Number of treasury shares at the end of the period

As of December 31, 2015	500,250 shares	As of March 31, 2015	500,250 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2015	10,584,251 shares	Nine months ended December 31, 2014	10,315,316 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	9,727,654	9,114,806
Notes and accounts receivable - trade	7,667,066	6,900,861
Securities	176,742	1,888,926
Merchandise	224,145	276,871
Work in process	62,510	106,419
Raw materials and supplies	21,310	21,620
Other	567,302	558,330
Total current assets	18,446,732	18,867,835
Non-current assets		
Property, plant and equipment	231,885	197,293
Intangible assets		
Goodwill	1,159,403	961,404
Other	172,142	134,479
Total intangible assets	1,331,546	1,095,884
Investments and other assets		
Investment securities	8,047,450	8,691,355
Long-term time deposits	1,700,000	1,700,000
Other	507,789	546,952
Total investments and other assets	10,255,239	10,938,308
Total non-current assets	11,818,671	12,231,486
Total assets	30,265,404	31,099,322
Liabilities		
Current liabilities		
Accounts payable - trade	4,440,540	3,707,135
Income taxes payable	558,963	70,221
Provision for bonuses	424,853	237,485
Provision for directors' bonuses	55,000	45,000
Other	1,825,973	2,050,453
Total current liabilities	7,305,330	6,110,296
Non-current liabilities		
Net defined benefit liability	1,591,104	1,658,561
Other	420,815	856,254
Total non-current liabilities	2,011,919	2,514,815
Total liabilities	9,317,250	8,625,112

(Thousands of yen)

	As of March 31, 2015	As of December 31, 2015
Net assets		
Shareholders' equity		
Capital stock	1,688,058	1,834,304
Capital surplus	1,795,458	1,941,704
Retained earnings	14,425,520	14,852,700
Treasury shares	(598,333)	(598,333)
Total shareholders' equity	17,310,703	18,030,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,124,119	3,141,080
Remeasurements of defined benefit plans	(43,078)	(30,286)
Foreign currency translation adjustment	49,283	(109,228)
Total accumulated other comprehensive income	2,130,325	3,001,565
Subscription rights to shares	104,118	22,317
Non-controlling interests	1,403,006	1,419,950
Total net assets	20,948,153	22,474,209
Total liabilities and net assets	30,265,404	31,099,322

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	22,577,515	24,128,127
Cost of sales	17,522,214	18,620,218
Gross profit	5,055,301	5,507,909
Total selling, general and administrative expenses	3,608,261	3,963,717
Operating income	1,447,040	1,544,191
Non-operating income		
Interest income	66,398	63,789
Dividend income	60,137	81,418
Other	53,099	39,788
Total non-operating income	179,635	184,996
Non-operating expenses		
Loss on investments in partnership	–	4,530
Foreign exchange losses	–	6,452
Other	1,434	432
Total non-operating expenses	1,434	11,415
Ordinary income	1,625,241	1,717,771
Extraordinary income		
Gain on reversal of subscription rights to shares	–	27,572
Total extraordinary income	–	27,572
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and affiliates	–	47,405
Total extraordinary losses	–	47,405
Income before income taxes and minority interests	1,625,241	1,697,938
Income taxes - current	541,529	480,990
Income taxes - deferred	(35,326)	75,577
Total income taxes	506,202	556,567
Profit	1,119,039	1,141,370
Profit attributable to non-controlling interests	68,211	82,516
Profit attributable to owners of parent	1,050,827	1,058,854

(Thousands of yen)

	Three months ended December 31, 2014	Three months ended December 31, 2015
Net sales	6,394,534	6,952,101
Cost of sales	4,866,759	5,285,465
Gross profit	1,527,774	1,666,636
Total selling, general and administrative expenses	1,230,481	1,345,290
Operating income	297,293	321,345
Non-operating income		
Interest income	22,527	23,068
Dividend income	27,107	38,653
Other	18,137	1,238
Total non-operating income	67,773	62,960
Non-operating expenses		
Share of loss of entities accounted for using equity method	4,116	4,429
Foreign exchange losses	–	6,360
Other	167	309
Total non-operating expenses	4,283	11,099
Ordinary income	360,782	373,206
Income before income taxes and minority interests	360,782	373,206
Income taxes - current	43,321	61,708
Income taxes - deferred	20,843	88,490
Total income taxes	64,164	150,199
Profit	296,617	223,007
Profit attributable to non-controlling interests	42,262	7,416
Profit attributable to owners of parent	254,355	215,590

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit	1,119,039	1,141,370
Other comprehensive income		
Valuation difference on available-for-sale securities	306,467	1,016,960
Foreign currency translation adjustment	13,226	(179,137)
Remeasurements of defined benefit plans, net of tax	20,443	12,791
Share of other comprehensive income of entities accounted for using equity method	(183)	(5,310)
Total other comprehensive income	339,953	845,304
Comprehensive income	1,458,992	1,986,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,384,932	1,932,721
Comprehensive income attributable to non-controlling interests	74,060	53,952

(Thousands of yen)

	Three months ended December 31, 2014	Three months ended December 31, 2015
Profit	296,617	223,007
Other comprehensive income		
Valuation difference on available-for-sale securities	186,194	380,348
Foreign currency translation adjustment	8,016	(149,810)
Remeasurements of defined benefit plans, net of tax	6,814	4,239
Share of other comprehensive income of entities accounted for using equity method	11,089	(8,440)
Total other comprehensive income	212,115	226,337
Comprehensive income	508,732	449,344
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	462,925	464,166
Comprehensive income attributable to non-controlling interests	45,807	(14,821)

Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,625,241	1,697,938
Depreciation	68,516	76,142
Amortization of goodwill	10,071	85,059
Gain on reversal of subscription rights to shares	–	(27,572)
Loss on sales of investments in capital of subsidiaries and affiliates	–	47,405
Increase (decrease) in provision for bonuses	(191,857)	(187,368)
Increase (decrease) in provision for directors' bonuses	(5,000)	(10,000)
Increase (decrease) in net defined benefit liability	145,442	86,415
Increase (decrease) in long-term accounts payable - other	–	(29,124)
Interest and dividend income	(126,536)	(145,207)
Share of (profit) loss of entities accounted for using equity method	(4,988)	(16,736)
Decrease (increase) in notes and accounts receivable - trade	927,658	708,873
Decrease (increase) in inventories	(83,328)	(96,944)
Decrease (increase) in advance payments	9,125	10,177
Decrease (increase) in other current assets	(12,002)	(97,999)
Increase (decrease) in notes and accounts payable - trade	(744,811)	(720,485)
Increase (decrease) in advances received	127,812	313,562
Increase (decrease) in accrued consumption taxes	104,705	(205,685)
Increase (decrease) in other current liabilities	74,383	50,240
Other, net	(12,618)	1,425
Subtotal	1,911,815	1,540,118
Interest and dividend income received	126,729	146,503
Income taxes paid	(832,799)	(874,603)
Net cash provided by (used in) operating activities	1,205,745	812,019
Cash flows from investing activities		
Payments into time deposits	(980,000)	(980,000)
Proceeds from withdrawal of time deposits	980,000	980,000
Proceeds from long-term time deposits	200,000	800,000
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	–	(40,948)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(52,671)	–
Purchase of property, plant and equipment	(44,143)	(22,463)
Purchase of intangible assets	(25,009)	(1,568)
Collection of loans receivable	41,580	–
Purchase of investment securities	(4,049)	(759,080)
Payments for guarantee deposits	(4,295)	(18,512)
Other, net	1,344	(7)
Net cash provided by (used in) investing activities	112,755	(42,580)

(Thousands of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Cash flows from financing activities		
Decrease in short-term loans payable	(14,140)	–
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	144,541	237,492
Cash dividends paid	(584,153)	(631,793)
Dividends paid to non-controlling interests	(9,300)	(20,968)
Other, net	–	1,116
Net cash provided by (used in) financing activities	(463,052)	(414,153)
Effect of exchange rate change on cash and cash equivalents	12,836	(55,949)
Net increase (decrease) in cash and cash equivalents	868,284	299,335
Cash and cash equivalents at beginning of period	6,313,309	8,124,397
Cash and cash equivalents at end of period	7,181,594	8,423,732