

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Based on Japanese GAAP)

May 13, 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 of ordinary general meeting of shareholders: June 16, 2016
 Scheduled date to file Securities Report: June 17, 2016
 Scheduled date to commence dividend payments: June 17, 2016
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	34,026	9.1	2,462	8.0	2,719	7.2	1,663	(13.9)
Year ended March 31, 2015	31,189	(2.8)	2,279	7.9	2,536	7.0	1,932	32.1

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	157.02	155.97	8.2	8.6	7.2
Year ended March 31, 2015	186.89	184.69	10.6	8.9	7.3

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	33,237	22,482	63.2	1,975.99
As of March 31, 2015	30,265	20,948	64.2	1,861.71

(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 March 31, 2016	1,904	(559)	(403)	9,028
Year ended March 31, 2015	2,880	(655)	(426)	8,124

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 March 31, 2015	—	30.00	—	30.00	60.00	622	32.1	3.4
Year ended March 31, 2016	—	30.00	—	30.00	60.00	637	38.2	3.1
Year ending March 31, 2017 (Forecast)	—	30.00	—	30.00	60.00		33.0	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	36,000	5.8	2,800	13.7	3,100	14.0	1,900	14.3	178.80

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2016

(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 March 31, 2016	11,125,200 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 March 31, 2016	500,250 shares	As of March 31, 2015	500,250 shares
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Average number of shares during the period

Year ended March 31, 2016	10,593,117 shares	Year ended March 31, 2015	10,340,599 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	9,727,654	10,213,957
Notes and accounts receivable - trade	7,667,066	8,264,982
Securities	176,742	2,222,681
Merchandise	224,145	354,088
Work in process	62,510	21,745
Raw materials and supplies	21,310	6,589
Deferred tax assets	214,515	214,643
Other	352,786	532,566
Total current assets	18,446,732	21,831,254
Non-current assets		
Property, plant and equipment		
Buildings	62,613	64,672
Accumulated depreciation	(26,206)	(30,211)
Buildings, net	36,406	34,461
Land	2,647	3,107
Other	541,979	559,696
Accumulated depreciation	(349,148)	(402,519)
Other, net	192,831	157,176
Total property, plant and equipment	231,885	194,745
Intangible assets		
Goodwill	1,159,403	1,671,604
Other	172,142	122,437
Total intangible assets	1,331,546	1,794,042
Investments and other assets		
Investment securities	8,047,450	7,631,544
Deferred tax assets	20,418	31,770
Long-term time deposits	1,700,000	1,200,000
Other	487,371	554,469
Total investments and other assets	10,255,239	9,417,785
Total non-current assets	11,818,671	11,406,573
Total assets	30,265,404	33,237,828

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	4,440,540	5,161,582
Income taxes payable	558,963	473,542
Provision for bonuses	424,853	447,754
Provision for directors' bonuses	55,000	70,000
Advances received	1,185,224	1,618,823
Other	640,749	583,977
Total current liabilities	7,305,330	8,355,680
Non-current liabilities		
Net defined benefit liability	1,591,104	1,913,885
Deferred tax liabilities	245,800	344,491
Other	175,014	141,068
Total non-current liabilities	2,011,919	2,399,445
Total liabilities	9,317,250	10,755,125
Net assets		
Shareholders' equity		
Capital stock	1,688,058	1,840,269
Capital surplus	1,795,458	1,947,669
Retained earnings	14,425,520	15,457,152
Treasury shares	(598,333)	(598,333)
Total shareholders' equity	17,310,703	18,646,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,124,119	2,637,855
Remeasurements of defined benefit plans	(43,078)	(195,369)
Foreign currency translation adjustment	49,283	(94,476)
Total accumulated other comprehensive income	2,130,325	2,348,009
Subscription rights to shares	104,118	20,230
Non-controlling interests	1,403,006	1,467,706
Total net assets	20,948,153	22,482,703
Total liabilities and net assets	30,265,404	33,237,828

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

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	31,189,832	34,026,080
Cost of sales	24,051,104	26,287,006
Gross profit	7,138,728	7,739,074
Selling, general and administrative expenses	4,859,152	5,276,137
Operating income	2,279,575	2,462,937
Non-operating income		
Interest income	86,195	83,882
Dividend income	69,978	91,465
Subsidy income	40,371	—
Share of profit of entities accounted for using equity method	30,623	69,691
Other	31,518	25,008
Total non-operating income	258,686	270,047
Non-operating expenses		
Foreign exchange losses	—	8,174
Loss on investments in partnership	—	3,618
Loss on sales of investment securities	284	—
Other	1,458	1,977
Total non-operating expenses	1,742	13,771
Ordinary income	2,536,519	2,719,213
Extraordinary income		
Gain on reversal of subscription rights to shares	—	27,572
Gain on step acquisitions	343,407	—
Total extraordinary income	343,407	27,572
Extraordinary losses		
Loss on valuation of investment securities	10,862	12,637
Loss on sales of investments in capital of subsidiaries and affiliates	—	47,405
Total extraordinary losses	10,862	60,043
Profit before income taxes	2,869,064	2,686,742
Income taxes - current	911,167	914,885
Income taxes - deferred	(72,351)	(18,688)
Total income taxes	838,815	896,197
Profit	2,030,249	1,790,544
Profit attributable to non-controlling interests	97,677	127,238
Profit attributable to owners of parent	1,932,572	1,663,306

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	2,030,249	1,790,544
Other comprehensive income		
Valuation difference on available-for-sale securities	647,487	513,735
Foreign currency translation adjustment	8,430	(156,709)
Remeasurements of defined benefit plans, net of tax	62,630	(152,291)
Share of other comprehensive income of entities accounted for using equity method	13,701	(9,952)
Total other comprehensive income	732,249	194,781
Comprehensive income	2,762,499	1,985,326
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,661,094	1,883,618
Comprehensive income attributable to non-controlling interests	101,404	101,708

Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,557,189	1,664,589	13,110,606	(598,333)	15,734,051
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	130,868	130,868			261,737
Dividends of surplus			(617,658)		(617,658)
Profit attributable to owners of parent			1,932,572		1,932,572
Net changes of items other than shareholders' equity					
Total changes of items during period	130,868	130,868	1,314,914	—	1,576,651
Balance at end of current period	1,688,058	1,795,458	14,425,520	(598,333)	17,310,703

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1,476,632	(105,708)	28,251	1,399,175	156,066	1,128,905	18,418,198
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							261,737
Dividends of surplus							(617,658)
Profit attributable to owners of parent							1,932,572
Net changes of items other than shareholders' equity	647,487	62,630	21,031	731,150	(51,948)	274,101	953,303
Total changes of items during period	647,487	62,630	21,031	731,150	(51,948)	274,101	2,529,955
Balance at end of current period	2,124,119	(43,078)	49,283	2,130,325	104,118	1,403,006	20,948,153

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,688,058	1,795,458	14,425,520	(598,333)	17,310,703
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	152,210	152,210			304,421
Dividends of surplus			(631,674)		(631,674)
Profit attributable to owners of parent			1,663,306		1,663,306
Net changes of items other than shareholders' equity					
Total changes of items during period	152,210	152,210	1,031,632	—	1,336,053
Balance at end of current period	1,840,269	1,947,669	15,457,152	(598,333)	18,646,757

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	2,124,119	(43,078)	49,283	2,130,325	104,118	1,403,006	20,948,153
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							304,421
Dividends of surplus							(631,674)
Profit attributable to owners of parent							1,663,306
Net changes of items other than shareholders' equity	513,735	(152,291)	(143,760)	217,683	(83,887)	64,699	198,495
Total changes of items during period	513,735	(152,291)	(143,760)	217,683	(83,887)	64,699	1,534,549
Balance at end of current period	2,637,855	(195,369)	(94,476)	2,348,009	20,230	1,467,706	22,482,703

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	2,869,064	2,686,742
Depreciation	93,959	102,673
Amortization of goodwill	10,071	111,833
Gain on reversal of subscription rights to shares	—	(27,572)
Loss (gain) on step acquisitions	(343,407)	—
Loss (gain) on valuation of investment securities	10,862	12,637
Loss on sales of investments in capital of subsidiaries and affiliates	—	47,405
Increase (decrease) in provision for bonuses	4,974	22,900
Increase (decrease) in provision for directors' bonuses	5,000	15,000
Increase (decrease) in net defined benefit liability	188,218	106,828
Increase (decrease) in long-term accounts payable - other	—	(28,843)
Interest and dividend income	(156,173)	(175,347)
Share of (profit) loss of entities accounted for using equity method	(30,623)	(69,691)
Decrease (increase) in notes and accounts receivable - trade	360,092	(677,133)
Decrease (increase) in inventories	96,856	(73,109)
Decrease (increase) in advance payments	(17,293)	(148,764)
Decrease (increase) in other current assets	15,627	(37,415)
Increase (decrease) in notes and accounts payable - trade	202,587	749,362
Increase (decrease) in advances received	(39,085)	166,303
Increase (decrease) in accrued consumption taxes	238,623	(146,990)
Increase (decrease) in other current liabilities	(21,276)	(31,801)
Other, net	63,767	(873)
Subtotal	3,551,846	2,604,144
Interest and dividend income received	169,959	187,902
Income taxes paid	(841,065)	(887,231)
Net cash provided by (used in) operating activities	2,880,739	1,904,814
Cash flows from investing activities		
Payments into time deposits	(1,880,000)	(1,908,172)
Proceeds from withdrawal of time deposits	1,880,000	1,880,000
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	(791,519)	—
Payments for guarantee deposits	(4,447)	(20,348)
Purchase of property, plant and equipment	(51,315)	(32,822)
Purchase of intangible assets	(32,205)	(2,613)
Purchase of investment securities	(19,434)	(758,591)
Payments for investments in capital of subsidiaries and associates	—	(53,273)
Payments for absorption-type split	—	(420,000)
Collection of loans receivable	41,580	—
Other, net	1,640	(2,537)
Net cash provided by (used in) investing activities	(655,703)	(559,307)

	(Thousands of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
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	213,152	247,334
Cash dividends paid	(617,925)	(630,946)
Dividends paid to non-controlling interests	(9,300)	(20,968)
Other, net	1,863	1,116
Net cash provided by (used in) financing activities	(426,348)	(403,464)
Effect of exchange rate change on cash and cash equivalents	12,399	(37,973)
Net increase (decrease) in cash and cash equivalents	1,811,087	904,069
Cash and cash equivalents at beginning of period	6,313,309	8,124,397
Cash and cash equivalents at end of period	8,124,397	9,028,466