

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (Based on Japanese GAAP)

July 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
 Managing Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: August 10, 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 three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

(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	%
Three months ended June 30, 2016	8,912	3.5	775	37.6	814	33.8	514	45.4
Three months ended June 30, 2015	8,608	6.1	563	(1.8)	609	(2.9)	353	(9.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	48.30		48.22	
Three months ended June 30, 2015	33.62		33.37	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	31,750	22,000	64.8	1,927.11
As of March 31, 2016	33,237	22,482	63.2	1,975.99

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, 2016	–	30.00	–	30.00	60.00
Year ending March 31, 2017	–	–	–	–	–
Year ending March 31, 2017 (Forecast)	–	30.00	–	30.00	60.00

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	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 three months ended June 30, 2016
 (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 June 30, 2016	11,177,000 shares	As of March 31, 2016	11,125,200 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	500,250 shares	As of March 31, 2016	500,250 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2016	10,651,816 shares	Three months ended June 30, 2015	10,525,817 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	10,213,957	11,384,731
Notes and accounts receivable - trade	8,264,982	6,816,500
Securities	2,222,681	2,000,006
Merchandise	354,088	262,328
Work in process	21,745	111,165
Raw materials and supplies	6,589	8,177
Other	747,210	769,451
Total current assets	21,831,254	21,352,360
Non-current assets		
Property, plant and equipment	194,745	212,356
Intangible assets		
Goodwill	1,671,604	1,567,663
Other	122,437	117,075
Total intangible assets	1,794,042	1,684,739
Investments and other assets		
Investment securities	7,631,544	6,750,245
Long-term time deposits	1,200,000	1,200,000
Other	586,240	550,618
Total investments and other assets	9,417,785	8,500,864
Total non-current assets	11,406,573	10,397,959
Total assets	33,237,828	31,750,320
Liabilities		
Current liabilities		
Accounts payable - trade	5,161,582	3,449,290
Income taxes payable	473,542	319,664
Provision for bonuses	447,754	230,452
Provision for directors' bonuses	70,000	15,000
Other	2,202,800	3,575,918
Total current liabilities	8,355,680	7,590,327
Non-current liabilities		
Net defined benefit liability	1,913,885	1,944,700
Other	485,559	214,470
Total non-current liabilities	2,399,445	2,159,170
Total liabilities	10,755,125	9,749,497

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	1,840,269	1,873,136
Capital surplus	1,947,669	1,980,536
Retained earnings	15,457,152	15,652,931
Treasury shares	(598,333)	(598,333)
Total shareholders' equity	18,646,757	18,908,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,637,855	2,043,769
Remeasurements of defined benefit plans	(195,369)	(182,238)
Foreign currency translation adjustment	(94,476)	(194,487)
Total accumulated other comprehensive income	2,348,009	1,667,043
Subscription rights to shares	20,230	1,116
Non-controlling interests	1,467,706	1,424,392
Total net assets	22,482,703	22,000,823
Total liabilities and net assets	33,237,828	31,750,320

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	8,608,229	8,912,784
Cost of sales	6,696,236	6,704,593
Gross profit	1,911,992	2,208,190
Total selling, general and administrative expenses	1,348,484	1,432,873
Operating income	563,508	775,317
Non-operating income		
Interest income	20,497	20,625
Dividend income	36,084	51,806
Other	15,404	1,661
Total non-operating income	71,986	74,093
Non-operating expenses		
Share of loss of entities accounted for using equity method	24,422	29,054
Other	1,788	5,363
Total non-operating expenses	26,210	34,418
Ordinary income	609,284	814,991
Extraordinary income		
Gain on reversal of subscription rights to shares	27,572	7,614
Total extraordinary income	27,572	7,614
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and affiliates	47,405	–
Total extraordinary losses	47,405	–
Profit before income taxes	589,450	822,606
Income taxes - current	250,483	353,713
Income taxes - deferred	(27,783)	(49,327)
Total income taxes	222,699	304,386
Profit	366,751	518,220
Profit attributable to non-controlling interests	12,919	3,692
Profit attributable to owners of parent	353,832	514,527

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	366,751	518,220
Other comprehensive income		
Valuation difference on available-for-sale securities	245,204	(594,086)
Foreign currency translation adjustment	4,868	(23,462)
Remeasurements of defined benefit plans, net of tax	4,275	13,131
Share of other comprehensive income of entities accounted for using equity method	(88)	(12,048)
Total other comprehensive income	254,259	(616,465)
Comprehensive income	621,011	(98,245)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	609,879	(68,504)
Comprehensive income attributable to non-controlling interests	11,131	(29,741)

Consolidated statements of cash flows

(Thousands of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Cash flows from operating activities		
Profit before income taxes	589,450	822,606
Depreciation	25,375	23,486
Amortization of goodwill	28,827	61,687
Gain on reversal of subscription rights to shares	(27,572)	(7,614)
Loss on sales of investments in capital of subsidiaries and affiliates	47,405	–
Increase (decrease) in provision for bonuses	(212,429)	(217,301)
Increase (decrease) in provision for directors' bonuses	(40,000)	(55,000)
Increase (decrease) in net defined benefit liability	9,340	49,807
Interest and dividend income	(56,582)	(72,431)
Share of (profit) loss of entities accounted for using equity method	24,422	29,054
Decrease (increase) in notes and accounts receivable - trade	939,048	1,448,482
Decrease (increase) in inventories	57,842	751
Decrease (increase) in advance payments	17,694	69,134
Decrease (increase) in other current assets	(98,483)	(62,083)
Increase (decrease) in notes and accounts payable - trade	(746,567)	(1,712,291)
Increase (decrease) in advances received	488,780	948,256
Increase (decrease) in accrued consumption taxes	(145,932)	27,299
Increase (decrease) in other current liabilities	398,539	385,740
Other, net	5,025	9,274
Subtotal	1,304,185	1,748,857
Interest and dividend income received	53,976	68,726
Income taxes paid	(573,956)	(496,110)
Net cash provided by (used in) operating activities	784,204	1,321,473
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,611)	(41,626)
Proceeds from Long-term time deposits	300,000	–
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(40,948)	–
Purchase of investment securities	(13,471)	–
Other, net	(396)	(1,529)
Net cash provided by (used in) investing activities	236,572	(43,156)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	228,069	54,234
Cash dividends paid	(278,792)	(289,051)
Dividends paid to non-controlling interests	(20,968)	(18,089)
Other, net	–	3,247
Net cash provided by (used in) financing activities	(71,691)	(249,658)
Effect of exchange rate change on cash and cash equivalents	4,689	(78,128)
Net increase (decrease) in cash and cash equivalents	953,775	950,531
Cash and cash equivalents at beginning of period	8,124,397	9,028,466
Cash and cash equivalents at end of period	9,078,172	9,978,997