

Translation

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

October 28, 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
 Inquiries: Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: November 11, 2016
 Scheduled date to commence dividend payments: December 2, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 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	%
Six months ended September 30, 2016	17,551	2.2	1,610	31.7	1,690	25.7	1,062	26.0
Six months ended September 30, 2015	17,176	6.1	1,222	6.4	1,344	6.3	843	5.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	99.67	99.50
Six months ended September 30, 2015	79.79	79.23

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	33,038	22,737	64.3	1,989.53
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	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	30.00	—	30.00	60.00
Year ending March 31, 2017	—	30.00			
Year ending March 31, 2017 (Forecast)			—	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 six months ended September 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 September 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 September 30, 2016	500,330 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)

Six months ended September 30, 2016	10,664,257 shares	Six months ended September 30, 2015	10,569,033 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	10,213,957	12,672,648
Notes and accounts receivable - trade	8,264,982	7,021,632
Securities	2,222,681	521,008
Merchandise	354,088	572,582
Work in process	21,745	169,382
Raw materials and supplies	6,589	8,844
Other	747,210	705,816
Total current assets	21,831,254	21,671,914
Non-current assets		
Property, plant and equipment	194,745	205,766
Intangible assets		
Goodwill	1,671,604	1,436,554
Other	122,437	127,339
Total intangible assets	1,794,042	1,563,893
Investments and other assets		
Investment securities	7,631,544	7,858,100
Long-term time deposits	1,200,000	1,200,000
Other	586,240	538,941
Total investments and other assets	9,417,785	9,597,041
Total non-current assets	11,406,573	11,366,702
Total assets	33,237,828	33,038,616
Liabilities		
Current liabilities		
Accounts payable - trade	5,161,582	4,295,337
Income taxes payable	473,542	575,885
Provision for bonuses	447,754	473,351
Provision for directors' bonuses	70,000	30,000
Other	2,202,800	2,643,462
Total current liabilities	8,355,680	8,018,036
Non-current liabilities		
Net defined benefit liability	1,913,885	1,976,495
Provision for Employee Stock Ownership Plan	—	8,080
Provision for Board Benefit Trust	—	3,210
Other	485,559	295,692
Total non-current liabilities	2,399,445	2,283,477
Total liabilities	10,755,125	10,301,514

	(Thousands of yen)	
	As of March 31, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	1,840,269	1,873,136
Capital surplus	1,947,669	2,072,996
Retained earnings	15,457,152	16,201,330
Treasury shares	(598,333)	(690,942)
Total shareholders' equity	18,646,757	19,456,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,637,855	2,255,122
Remeasurements of defined benefit plans	(195,369)	(169,106)
Foreign currency translation adjustment	(94,476)	(300,942)
Total accumulated other comprehensive income	2,348,009	1,785,073
Subscription rights to shares	20,230	1,116
Non-controlling interests	1,467,706	1,494,391
Total net assets	22,482,703	22,737,102
Total liabilities and net assets	33,237,828	33,038,616

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	17,176,025	17,551,086
Cost of sales	13,334,752	13,084,530
Gross profit	3,841,272	4,466,556
Total selling, general and administrative expenses	2,618,426	2,855,558
Operating income	1,222,846	1,610,997
Non-operating income		
Interest income	40,720	39,005
Dividend income	42,764	57,401
Share of profit of entities accounted for using equity method	21,166	–
Other	21,814	6,371
Total non-operating income	126,465	102,777
Non-operating expenses		
Share of loss of entities accounted for using equity method	–	19,212
Loss on investments in partnership	4,438	1,547
Other	308	2,357
Total non-operating expenses	4,746	23,118
Ordinary income	1,344,565	1,690,657
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	1,324,731	1,698,271
Income taxes - current	419,282	595,038
Income taxes - deferred	(12,913)	(43,792)
Total income taxes	406,368	551,245
Profit	918,363	1,147,026
Profit attributable to non-controlling interests	75,099	84,099
Profit attributable to owners of parent	843,263	1,062,926

(Thousands of yen)

	2nd quarter endedSeptember 30, 2015	2nd quarter endedSeptember 30, 2016
Net sales	8,567,796	8,638,302
Cost of sales	6,638,515	6,379,936
Gross profit	1,929,280	2,258,365
Total selling, general and administrative expenses	1,269,942	1,422,685
Operating income	659,337	835,680
Non-operating income		
Interest income	20,222	18,379
Share of profit of entities accounted for using equity method	45,589	9,842
Other	13,521	11,991
Total non-operating income	79,332	40,213
Non-operating expenses		
Interest expenses	–	61
Loss on investments in partnership	2,782	–
Other	607	166
Total non-operating expenses	3,389	228
Ordinary income	735,280	875,665
Profit before income taxes	735,280	875,665
Income taxes - current	168,798	241,324
Income taxes - deferred	14,870	5,535
Total income taxes	183,669	246,859
Profit	551,611	628,805
Profit attributable to non-controlling interests	62,180	80,407
Profit attributable to owners of parent	489,431	548,398

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	918,363	1,147,026
Other comprehensive income		
Valuation difference on available-for-sale securities	636,611	(382,732)
Foreign currency translation adjustment	(29,327)	(116,693)
Remeasurements of defined benefit plans, net of tax	8,551	26,263
Share of other comprehensive income of entities accounted for using equity method	3,130	(33,961)
Total other comprehensive income	618,966	(507,124)
Comprehensive income	1,537,329	639,901
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,468,555	597,923
Comprehensive income attributable to non-controlling interests	68,774	41,978

	(Thousands of yen)	
	2nd quarter endedSeptember 30, 2015	2nd quarter endedSeptember 30, 2016
Profit	551,611	628,805
Other comprehensive income		
Valuation difference on available-for-sale securities	391,407	211,353
Foreign currency translation adjustment	(34,195)	(93,230)
Remeasurements of defined benefit plans, net of tax	4,275	13,131
Share of other comprehensive income of entities accounted for using equity method	3,219	(21,912)
Total other comprehensive income	364,706	109,341
Comprehensive income	916,318	738,147
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	858,676	666,428
Comprehensive income attributable to non-controlling interests	57,642	71,719

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	1,324,731	1,698,271
Depreciation	50,552	47,265
Amortization of goodwill	57,654	121,953
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	3,180	25,597
Increase (decrease) in provision for directors' bonuses	(25,000)	(40,000)
Increase (decrease) in net defined benefit liability	51,907	100,595
Increase (decrease) in long-term accounts payable - other	(29,124)	(1,157)
Interest and dividend income	(83,485)	(96,406)
Share of (profit) loss of entities accounted for using equity method	(21,166)	19,212
Decrease (increase) in notes and accounts receivable - trade	654,102	1,243,350
Decrease (increase) in inventories	52,382	(368,386)
Decrease (increase) in advance payments	10,069	74,312
Decrease (increase) in other current assets	(77,058)	(61,887)
Increase (decrease) in notes and accounts payable - trade	(180,887)	(866,244)
Increase (decrease) in advances received	347,434	601,507
Increase (decrease) in accrued consumption taxes	(180,778)	(23,910)
Increase (decrease) in other current liabilities	(59,102)	(83,583)
Other, net	8,656	32,146
Subtotal	1,923,903	2,415,020
Interest and dividend income received	96,693	111,806
Income taxes paid	(581,293)	(506,910)
Net cash provided by (used in) operating activities	1,439,303	2,019,916
Cash flows from investing activities		
Payments into time deposits	(980,000)	(1,005,280)
Proceeds from withdrawal of time deposits	980,000	1,005,740
Proceeds from Long-term time deposits	800,000	–
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(40,948)	–
Payments for guarantee deposits	(18,184)	(499)
Purchase of property, plant and equipment	(23,181)	(47,593)
Purchase of intangible assets	(1,260)	(29,680)
Purchase of investment securities	(55,863)	(800,000)
Proceeds from redemption of securities	–	1,600,000
Other, net	(3,561)	(2,738)
Net cash provided by (used in) investing activities	656,999	719,946
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	235,084	54,234
Cash dividends paid	(313,009)	(318,537)
Dividends paid to non-controlling interests	(20,968)	(18,089)
Other, net	1,116	1,379
Net cash provided by (used in) financing activities	(97,777)	(281,012)

	(Thousands of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Effect of exchange rate change on cash and cash equivalents	(4,342)	(98,941)
Net increase (decrease) in cash and cash equivalents	1,994,184	2,359,909
Cash and cash equivalents at beginning of period	8,124,397	9,028,466
Cash and cash equivalents at end of period	10,118,581	11,388,376