

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

January 27, 2017

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: Managing Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: February 10, 2017
 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, 2016 (from April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	25,421	5.4	2,218	43.7	2,398	39.6	1,499	41.6
Nine months ended December 31, 2015	24,128	6.9	1,544	6.7	1,717	5.7	1,058	0.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2016	140.55		140.31	
Nine months ended December 31, 2015	100.04		99.35	

(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, 2016	32,443	22,990	66.3	2,013.59
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	–	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 nine months ended December 31, 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2016	10,668,395 shares	Nine months ended December 31, 2015	10,584,251 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	10,213,957	12,623,812
Notes and accounts receivable - trade	8,264,982	6,665,983
Securities	2,222,681	446,392
Merchandise	354,088	337,090
Work in process	21,745	124,202
Raw materials and supplies	6,589	6,221
Other	747,210	672,475
Total current assets	21,831,254	20,876,177
Non-current assets		
Property, plant and equipment	194,745	199,671
Intangible assets		
Goodwill	1,671,604	1,372,102
Other	122,437	121,450
Total intangible assets	1,794,042	1,493,553
Investments and other assets		
Investment securities	7,631,544	8,114,880
Long-term time deposits	1,200,000	1,200,000
Other	586,240	559,264
Total investments and other assets	9,417,785	9,874,145
Total non-current assets	11,406,573	11,567,369
Total assets	33,237,828	32,443,547
Liabilities		
Current liabilities		
Accounts payable - trade	5,161,582	3,625,144
Income taxes payable	473,542	345,474
Provision for bonuses	447,754	250,112
Provision for directors' bonuses	70,000	45,000
Other	2,202,800	2,784,758
Total current liabilities	8,355,680	7,050,489
Non-current liabilities		
Net defined benefit liability	1,913,885	2,006,861
Provision for Employee Stock Ownership Plan	–	16,200
Provision for Board Benefit Trust	–	6,400
Other	485,559	373,102
Total non-current liabilities	2,399,445	2,402,563
Total liabilities	10,755,125	9,453,053

(Thousands of yen)

	As of March 31, 2016	As of December 31, 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	16,311,508
Treasury shares	(598,333)	(690,942)
Total shareholders' equity	18,646,757	19,566,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,637,855	2,427,948
Remeasurements of defined benefit plans	(195,369)	(155,974)
Foreign currency translation adjustment	(94,476)	(340,231)
Total accumulated other comprehensive income	2,348,009	1,931,742
Subscription rights to shares	20,230	1,116
Non-controlling interests	1,467,706	1,490,936
Total net assets	22,482,703	22,990,493
Total liabilities and net assets	33,237,828	32,443,547

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, 2015	Nine months ended December 31, 2016
Net sales	24,128,127	25,421,566
Cost of sales	18,620,218	18,952,855
Gross profit	5,507,909	6,468,710
Total selling, general and administrative expenses	3,963,717	4,249,921
Operating income	1,544,191	2,218,789
Non-operating income		
Interest income	63,789	49,840
Dividend income	81,418	106,397
Other	39,788	28,216
Total non-operating income	184,996	184,454
Non-operating expenses		
Loss on investments in partnership	4,530	1,956
Share of loss of entities accounted for using equity method	–	2,295
Foreign exchange losses	6,452	–
Other	432	893
Total non-operating expenses	11,415	5,145
Ordinary income	1,717,771	2,398,098
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	1,697,938	2,405,713
Income taxes - current	480,990	755,868
Income taxes - deferred	75,577	47,712
Total income taxes	556,567	803,581
Profit	1,141,370	1,602,131
Profit attributable to non-controlling interests	82,516	102,697
Profit attributable to owners of parent	1,058,854	1,499,434

(Thousands of yen)

	3rd quarter ended 31, 2015	3rd quarter ended 31, 2016
Net sales	6,952,101	7,870,479
Cost of sales	5,285,465	5,868,325
Gross profit	1,666,636	2,002,154
Total selling, general and administrative expenses	1,345,290	1,394,363
Operating income	321,345	607,791
Non-operating income		
Interest income	23,068	10,835
Dividend income	38,653	48,995
Share of profit of entities accounted for using equity method	–	16,916
Other	1,238	23,310
Total non-operating income	62,960	100,058
Non-operating expenses		
Loss on investments in partnership	92	408
Share of loss of entities accounted for using equity method	4,429	–
Foreign exchange losses	6,360	–
Other	216	–
Total non-operating expenses	11,099	408
Ordinary income	373,206	707,441
Profit before income taxes	373,206	707,441
Income taxes - current	61,708	160,830
Income taxes - deferred	88,490	91,504
Total income taxes	150,199	252,335
Profit	223,007	455,105
Profit attributable to non-controlling interests	7,416	18,597
Profit attributable to owners of parent	215,590	436,507

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	1,141,370	1,602,131
Other comprehensive income		
Valuation difference on available-for-sale securities	1,016,960	(209,906)
Foreign currency translation adjustment	(179,137)	(271,207)
Remeasurements of defined benefit plans, net of tax	12,791	39,394
Share of other comprehensive income of entities accounted for using equity method	(5,310)	(38,722)
Total other comprehensive income	845,304	(480,441)
Comprehensive income	1,986,674	1,121,690
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,932,721	1,083,167
Comprehensive income attributable to non-controlling interests	53,952	38,522

(Thousands of yen)

	3rd quarter endedDecember 31, 2015	3rd quarter endedDecember 31, 2016
Profit	223,007	455,105
Other comprehensive income		
Valuation difference on available-for-sale securities	380,348	172,826
Foreign currency translation adjustment	(149,810)	(56,580)
Remeasurements of defined benefit plans, net of tax	4,239	13,131
Share of other comprehensive income of entities accounted for using equity method	(8,440)	(4,761)
Total other comprehensive income	226,337	124,615
Comprehensive income	449,344	579,721
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	464,166	583,177
Comprehensive income attributable to non-controlling interests	(14,821)	(3,455)

Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from operating activities		
Profit before income taxes	1,697,938	2,405,713
Depreciation	76,142	71,552
Amortization of goodwill	85,059	181,271
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	(187,368)	(197,642)
Increase (decrease) in provision for directors' bonuses	(10,000)	(25,000)
Increase (decrease) in net defined benefit liability	86,415	149,953
Increase (decrease) in provision for Employee Stock Ownership Plan	–	16,200
Increase (decrease) in long-term accounts payable - other	(29,124)	(1,593)
Interest and dividend income	(145,207)	(156,237)
Share of (profit) loss of entities accounted for using equity method	(16,736)	2,295
Decrease (increase) in notes and accounts receivable - trade	708,873	1,598,999
Decrease (increase) in inventories	(96,944)	(85,091)
Decrease (increase) in advance payments	10,177	(27,874)
Decrease (increase) in other current assets	(97,999)	(22,618)
Increase (decrease) in notes and accounts payable - trade	(720,485)	(1,536,437)
Increase (decrease) in advances received	313,562	526,792
Increase (decrease) in accrued consumption taxes	(205,685)	7,946
Increase (decrease) in other current liabilities	50,240	92,751
Other, net	1,425	21,855
Subtotal	1,540,118	3,015,222
Interest and dividend income received	146,503	167,570
Income taxes paid	(874,603)	(889,108)
Net cash provided by (used in) operating activities	812,019	2,293,684
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	500,000
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(40,948)	–
Purchase of property, plant and equipment	(22,463)	(53,693)
Purchase of intangible assets	(1,568)	(36,212)
Purchase of investment securities	(759,080)	(800,000)
Payments for guarantee deposits	(18,512)	(2,377)
Proceeds from redemption of securities	–	1,600,000
Purchase of golf club memberships	–	(16,406)
Other, net	(7)	4,986
Net cash provided by (used in) investing activities	(42,580)	1,196,756

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	237,492	54,234
Cash dividends paid	(631,793)	(645,070)
Dividends paid to non-controlling interests	(20,968)	(18,089)
Other, net	1,116	1,379
Net cash provided by (used in) financing activities	(414,153)	(607,545)
Effect of exchange rate change on cash and cash equivalents	(55,949)	(150,290)
Net increase (decrease) in cash and cash equivalents	299,335	2,732,605
Cash and cash equivalents at beginning of period	8,124,397	9,028,466
Cash and cash equivalents at end of period	8,423,732	11,761,071