

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 12, 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
 Managing Director, Administration Control Division
 Inquiries: Kunio Hasebe TEL 03-5641-2018
 Scheduled date of ordinary general meeting of shareholders: June 15, 2017
 Scheduled date to file Securities Report: June 16, 2017
 Scheduled date to commence dividend payments: June 16, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	34,847	2.4	3,110	26.3	3,381	24.4	2,110	26.9
Year ended March 31, 2016	34,026	9.1	2,462	8.0	2,719	7.2	1,663	(13.9)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	197.81	197.47	9.7	9.9	8.9
Year ended March 31, 2016	157.02	155.97	8.2	8.6	7.2

(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, 2017	34,959	24,174	64.4	2,112.96
As of March 31, 2016	33,237	22,482	63.2	1,975.99

(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, 2017	2,556	1,468	(607)	12,434
Year ended March 31, 2016	1,904	(559)	(403)	9,028

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, 2016	—	30.00	—	30.00	60.00	637	38.2	3.1
Year ended March 31, 2017	—	30.00	—	36.00	66.00	717	33.4	3.2
Year ending March 31, 2018 (Forecast)	—	33.00	—	33.00	66.00		32.8	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	37,000	6.2	3,200	2.9	3,450	2.0	2,150	1.9	201.37

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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, 2017	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 March 31, 2017	500,330 shares	As of March 31, 2016	500,250 shares
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Average number of shares during the period

Year ended March 31, 2017	10,670,463 shares	Year ended March 31, 2016	10,593,117 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	10,213,957	13,432,572
Notes and accounts receivable - trade	8,264,982	7,835,420
Securities	2,222,681	610,159
Merchandise	354,088	615,130
Work in process	21,745	56,738
Raw materials and supplies	6,589	6,467
Deferred tax assets	214,643	275,986
Other	532,566	667,522
Total current assets	21,831,254	23,499,999
Non-current assets		
Property, plant and equipment		
Buildings	64,672	75,041
Accumulated depreciation	(30,211)	(33,726)
Buildings, net	34,461	41,314
Land	3,107	2,986
Other	559,696	472,422
Accumulated depreciation	(402,519)	(321,668)
Other, net	157,176	150,753
Total property, plant and equipment	194,745	195,055
Intangible assets		
Goodwill	1,671,604	1,396,422
Other	122,437	121,576
Total intangible assets	1,794,042	1,517,999
Investments and other assets		
Investment securities	7,631,544	8,541,514
Deferred tax assets	31,770	44,409
Long-term time deposits	1,200,000	600,000
Other	554,469	560,565
Total investments and other assets	9,417,785	9,746,489
Total non-current assets	11,406,573	11,459,543
Total assets	33,237,828	34,959,542

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	5,161,582	4,185,682
Income taxes payable	473,542	813,063
Provision for bonuses	447,754	501,109
Provision for directors' bonuses	70,000	80,000
Advances received	1,618,823	1,837,413
Other	583,977	774,318
Total current liabilities	8,355,680	8,191,587
Non-current liabilities		
Net defined benefit liability	1,913,885	2,036,119
Provision for Employee Stock Ownership Plan	—	30,884
Provision for Board Benefit Trust	—	14,800
Deferred tax liabilities	344,491	374,079
Other	141,068	137,182
Total non-current liabilities	2,399,445	2,593,065
Total liabilities	10,755,125	10,784,653
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	16,922,815
Treasury shares	(598,333)	(690,942)
Total shareholders' equity	18,646,757	20,178,005
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,637,855	2,684,853
Remeasurements of defined benefit plans	(195,369)	(149,183)
Foreign currency translation adjustment	(94,476)	(154,315)
Total accumulated other comprehensive income	2,348,009	2,381,354
Subscription rights to shares	20,230	1,080
Non-controlling interests	1,467,706	1,614,448
Total net assets	22,482,703	24,174,888
Total liabilities and net assets	33,237,828	34,959,542

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

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	34,026,080	34,847,984
Cost of sales	26,287,006	25,962,496
Gross profit	7,739,074	8,885,487
Selling, general and administrative expenses	5,276,137	5,775,074
Operating profit	2,462,937	3,110,413
Non-operating income		
Interest income	83,882	62,042
Dividend income	91,465	114,413
Share of profit of entities accounted for using equity method	69,691	64,571
Other	25,008	31,090
Total non-operating income	270,047	272,117
Non-operating expenses		
Loss on sales of non-current assets	—	726
Foreign exchange losses	8,174	—
Loss on investments in partnership	3,618	—
Other	1,977	61
Total non-operating expenses	13,771	787
Ordinary profit	2,719,213	3,381,742
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 valuation of investment securities	12,637	—
Loss on sales of investments in capital of subsidiaries and affiliates	47,405	—
Total extraordinary losses	60,043	—
Profit before income taxes	2,686,742	3,389,357
Income taxes - current	914,885	1,233,862
Income taxes - deferred	(18,688)	(122,566)
Total income taxes	896,197	1,111,296
Profit	1,790,544	2,278,061
Profit attributable to non-controlling interests	127,238	167,319
Profit attributable to owners of parent	1,663,306	2,110,741

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	1,790,544	2,278,061
Other comprehensive income		
Valuation difference on available-for-sale securities	513,735	46,998
Foreign currency translation adjustment	(156,709)	(45,890)
Remeasurements of defined benefit plans, net of tax	(152,291)	46,185
Share of other comprehensive income of entities accounted for using equity method	(9,952)	(19,177)
Total other comprehensive income	194,781	28,116
Comprehensive income	1,985,326	2,306,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,883,618	2,144,086
Comprehensive income attributable to non-controlling interests	101,708	162,091

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,840,269	1,947,669	15,457,152	(598,333)	18,646,757
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	32,867	32,867			65,734
Dividends of surplus			(645,078)		(645,078)
Profit attributable to owners of parent			2,110,741		2,110,741
Acquisition of treasury shares from Employee Stock Ownership Plan or Board Benefit Trust				(333,004)	(333,004)
Transfer of treasury shares to Employee Stock Ownership Plan or Board Benefit Trust		92,460		240,396	332,856
Net changes of items other than shareholders' equity					
Total changes of items during period	32,867	125,327	1,465,662	(92,608)	1,531,248
Balance at end of current period	1,873,136	2,072,996	16,922,815	(690,942)	20,178,005

	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	2,637,855	(195,369)	(94,476)	2,348,009	20,230	1,467,706	22,482,703
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							65,734
Dividends of surplus							(645,078)
Profit attributable to owners of parent							2,110,741
Acquisition of treasury shares from Employee Stock Ownership Plan or Board Benefit Trust							(333,004)
Transfer of treasury shares to Employee Stock Ownership Plan or Board Benefit Trust							332,856
Net changes of items other than shareholders' equity	46,998	46,185	(59,838)	33,345	(19,150)	146,742	160,937
Total changes of items during period	46,998	46,185	(59,838)	33,345	(19,150)	146,742	1,692,185
Balance at end of current period	2,684,853	(149,183)	(154,315)	2,381,354	1,080	1,614,448	24,174,888

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,686,742	3,389,357
Depreciation	102,673	96,366
Amortization of goodwill	111,833	242,010
Gain on reversal of subscription rights to shares	(27,572)	(7,614)
Loss (gain) on valuation of investment securities	12,637	—
Loss on sales of investments in capital of subsidiaries and affiliates	47,405	—
Increase (decrease) in provision for bonuses	22,900	53,355
Increase (decrease) in provision for directors' bonuses	15,000	10,000
Increase (decrease) in net defined benefit liability	106,828	189,059
Increase (decrease) in provision for Employee Stock Ownership Plan	—	30,884
Increase (decrease) in provision for Directors' Stock Ownership Plan	—	14,800
Increase (decrease) in long-term accounts payable - other	(28,843)	(1,943)
Interest and dividend income	(175,347)	(176,455)
Share of (profit) loss of entities accounted for using equity method	(69,691)	(64,571)
Decrease (increase) in notes and accounts receivable - trade	(677,133)	429,561
Decrease (increase) in inventories	(73,109)	(295,913)
Decrease (increase) in advance payments	(148,764)	(119,857)
Decrease (increase) in other current assets	(37,415)	(32,464)
Increase (decrease) in notes and accounts payable - trade	749,362	(975,899)
Increase (decrease) in advances received	166,303	218,590
Increase (decrease) in accrued consumption taxes	(146,990)	73,205
Increase (decrease) in other current liabilities	(31,801)	162,105
Other, net	(873)	19,296
Subtotal	2,604,144	3,253,873
Interest and dividend income received	187,902	196,757
Income taxes paid	(887,231)	(893,877)
Net cash provided by (used in) operating activities	1,904,814	2,556,753
Cash flows from investing activities		
Payments into time deposits	(1,908,172)	(1,933,330)
Proceeds from withdrawal of time deposits	1,880,000	1,934,872
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)	—
Payments for guarantee deposits	(20,348)	(2,377)
Purchase of property, plant and equipment	(32,822)	(59,260)
Purchase of intangible assets	(2,613)	(48,559)
Purchase of investment securities	(758,591)	(800,000)
Purchase of long-term prepaid expenses	(760)	(12,579)
Proceeds from redemption of investment securities	—	1,900,000
Purchase of golf club memberships	—	(16,406)
Payments for investments in capital of subsidiaries and associates	(53,273)	—
Payments for absorption-type split	(420,000)	—
Other, net	(1,776)	6,163
Net cash provided by (used in) investing activities	(559,307)	1,468,523

	(Thousands of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	247,334	54,234
Cash dividends paid	(630,946)	(644,806)
Dividends paid to non-controlling interests	(20,968)	(18,089)
Other, net	1,116	1,379
Net cash provided by (used in) financing activities	(403,464)	(607,281)
Effect of exchange rate change on cash and cash equivalents	(37,973)	(11,779)
Net increase (decrease) in cash and cash equivalents	904,069	3,406,215
Cash and cash equivalents at beginning of period	8,124,397	9,028,466
Cash and cash equivalents at end of period	9,028,466	12,434,682