

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

October 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  
 Managing Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018  
 Scheduled date to file Quarterly Securities Report: November 10, 2017  
 Scheduled date to commence dividend payments: December 1, 2017  
 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, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2017	18,987	8.2	1,809	12.4	1,921	13.7	1,229	15.7
Six months ended September 30, 2016	17,551	2.2	1,610	31.7	1,690	25.7	1,062	26.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	115.14	–
Six months ended September 30, 2016	99.67	99.50

(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, 2017	35,579	25,366	66.8	2,224.49
As of March 31, 2017	34,959	24,174	64.5	2,112.96

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, 2017	–	30.00	–	36.00	66.00
Year ending March 31, 2018	–	33.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	33.00	66.00

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	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 six months ended September 30, 2017  
(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: No
- 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, 2017	11,177,000 shares	As of March 31, 2017	11,177,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	500,370 shares	As of March 31, 2017	500,330 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, 2017	10,676,663 shares	Six months ended September 30, 2016	10,664,257 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	13,432,572	13,062,575
Notes and accounts receivable - trade	7,835,420	8,655,179
Securities	610,159	821,556
Merchandise	615,130	135,983
Work in process	56,738	250,383
Raw materials and supplies	6,467	4,898
Other	943,509	1,077,864
Total current assets	23,499,999	24,008,442
Non-current assets		
Property, plant and equipment	195,055	209,015
Intangible assets		
Goodwill	1,396,422	1,284,894
Other	121,576	104,586
Total intangible assets	1,517,999	1,389,481
Investments and other assets		
Investment securities	8,541,514	9,334,943
Long-term time deposits	600,000	–
Other	604,974	637,301
Total investments and other assets	9,746,489	9,972,245
Total non-current assets	11,459,543	11,570,742
Total assets	34,959,542	35,579,185
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	4,185,682	3,613,343
Income taxes payable	813,063	548,422
Provision for bonuses	501,109	502,046
Provision for directors' bonuses	80,000	35,000
Other	2,611,732	2,689,744
Total current liabilities	8,191,587	7,388,556
Non-current liabilities		
Net defined benefit liability	2,036,119	2,131,103
Provision for Employee Stock Ownership Plan	30,884	54,399
Provision for Board Benefit Trust	14,800	24,224
Other	511,261	614,594
Total non-current liabilities	2,593,065	2,824,322
Total liabilities	10,784,653	10,212,878

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	1,873,136	1,873,136
Capital surplus	2,072,996	2,072,960
Retained earnings	16,922,815	17,761,005
Treasury shares	(690,942)	(691,060)
Total shareholders' equity	20,178,005	21,016,041
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,684,853	3,001,615
Remeasurements of defined benefit plans	(149,183)	(122,812)
Foreign currency translation adjustment	(154,315)	(144,760)
Total accumulated other comprehensive income	2,381,354	2,734,042
Subscription rights to shares	1,080	1,080
Non-controlling interests	1,614,448	1,615,142
Total net assets	24,174,888	25,366,306
Total liabilities and net assets	34,959,542	35,579,185

**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, 2016	Six months ended September 30, 2017
Net sales	17,551,086	18,987,582
Cost of sales	13,084,530	14,241,927
Gross profit	4,466,556	4,745,655
Total selling, general and administrative expenses	2,855,558	2,935,689
Operating profit	1,610,997	1,809,965
Non-operating income		
Interest income	39,005	24,331
Dividend income	57,401	68,837
Other	6,371	20,299
Total non-operating income	102,777	113,468
Non-operating expenses		
Share of loss of entities accounted for using equity method	19,212	1,245
Loss on investments in partnership	1,547	263
Other	2,357	133
Total non-operating expenses	23,118	1,643
Ordinary profit	1,690,657	1,921,791
Extraordinary income		
Gain on reversal of subscription rights to shares	7,614	–
Total extraordinary income	7,614	–
Profit before income taxes	1,698,271	1,921,791
Income taxes - current	595,038	603,364
Income taxes - deferred	(43,792)	21,068
Total income taxes	551,245	624,432
Profit	1,147,026	1,297,358
Profit attributable to non-controlling interests	84,099	68,071
Profit attributable to owners of parent	1,062,926	1,229,287

(Thousands of yen)

	2nd quarter ended September 30, 2016	2nd quarter ended September 30, 2017
Net sales	8,638,302	9,327,560
Cost of sales	6,379,936	6,948,980
Gross profit	2,258,365	2,378,579
Total selling, general and administrative expenses	1,422,685	1,468,494
Operating profit	835,680	910,084
Non-operating income		
Interest income	18,379	14,143
Share of profit of entities accounted for using equity method	9,842	28,424
Other	11,991	12,330
Total non-operating income	40,213	54,898
Non-operating expenses		
Interest expenses	61	—
Other	166	—
Total non-operating expenses	228	—
Ordinary profit	875,665	964,983
Profit before income taxes	875,665	964,983
Income taxes - current	241,324	258,334
Income taxes - deferred	5,535	15,354
Total income taxes	246,859	273,689
Profit	628,805	691,294
Profit attributable to non-controlling interests	80,407	76,105
Profit attributable to owners of parent	548,398	615,188

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	1,147,026	1,297,358
Other comprehensive income		
Valuation difference on available-for-sale securities	(382,732)	316,761
Foreign currency translation adjustment	(116,693)	10,835
Remeasurements of defined benefit plans, net of tax	26,263	26,371
Share of other comprehensive income of entities accounted for using equity method	(33,961)	(2,261)
Total other comprehensive income	(507,124)	351,706
Comprehensive income	639,901	1,649,065
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	597,923	1,580,765
Comprehensive income attributable to non-controlling interests	41,978	68,299

(Thousands of yen)

	2nd quarter endedSeptember 30, 2016	2nd quarter endedSeptember 30, 2017
Profit	628,805	691,294
Other comprehensive income		
Valuation difference on available-for-sale securities	211,353	(111,063)
Foreign currency translation adjustment	(93,230)	10,962
Remeasurements of defined benefit plans, net of tax	13,131	13,185
Share of other comprehensive income of entities accounted for using equity method	(21,912)	2,025
Total other comprehensive income	109,341	(84,889)
Comprehensive income	738,147	606,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	666,428	528,440
Comprehensive income attributable to non-controlling interests	71,719	77,963



## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,698,271	1,921,791
Depreciation	47,265	49,870
Amortization of goodwill	121,953	123,374
Increase (decrease) in provision for bonuses	25,597	936
Increase (decrease) in provision for directors' bonuses	(40,000)	(45,000)
Increase (decrease) in net defined benefit liability	100,595	131,030
Increase (decrease) in provision for Employee Stock Ownership Plan	8,080	23,515
Interest and dividend income	(96,406)	(93,169)
Share of (profit) loss of entities accounted for using equity method	19,212	1,245
Decrease (increase) in notes and accounts receivable - trade	1,243,350	(827,441)
Decrease (increase) in inventories	(368,386)	287,070
Decrease (increase) in advance payments	74,312	(201,429)
Decrease (increase) in other current assets	(61,887)	5,673
Increase (decrease) in notes and accounts payable - trade	(866,244)	(572,339)
Increase (decrease) in advances received	601,507	239,412
Increase (decrease) in accrued consumption taxes	(23,910)	(38,829)
Increase (decrease) in other current liabilities	(83,583)	(204,360)
Other, net	15,294	3,369
Subtotal	2,415,020	804,721
Interest and dividend income received	111,806	100,767
Income taxes paid	(506,910)	(785,543)
Net cash provided by (used in) operating activities	2,019,916	119,945
Cash flows from investing activities		
Payments into time deposits	(1,005,280)	(1,008,185)
Proceeds from withdrawal of time deposits	1,005,740	1,008,000
Proceeds from withdrawal of long-term time deposits	–	600,000
Payments for guarantee deposits	(499)	(58,617)
Purchase of property, plant and equipment	(47,593)	(38,959)
Purchase of intangible assets	(29,680)	(8,182)
Purchase of investment securities	(800,000)	(706,714)
Proceeds from redemption of securities	1,600,000	–
Purchase of shares of subsidiaries	–	(10,000)
Proceeds from sales of shares of subsidiaries and associates	–	74,823
Proceeds from redemption at maturity of membership	–	10,000
Other, net	(2,738)	8,356
Net cash provided by (used in) investing activities	719,946	(129,478)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	54,234	–
Cash dividends paid	(318,537)	(390,868)
Dividends paid to non-controlling interests	(18,089)	(56,942)
Other, net	1,379	(118)
Net cash provided by (used in) financing activities	(281,012)	(447,928)
Effect of exchange rate change on cash and cash equivalents	(98,941)	(1,274)
Net increase (decrease) in cash and cash equivalents	2,359,909	(458,735)
Cash and cash equivalents at beginning of period	9,028,466	12,434,682
Cash and cash equivalents at end of period	11,388,376	11,975,946