

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

January 26, 2018

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 9, 2018
 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, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	27,739	9.1	2,566	15.7	2,759	15.1	1,774	18.3
Nine months ended December 31, 2016	25,421	5.4	2,218	43.7	2,398	39.6	1,499	41.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	166.23		–	
Nine months ended December 31, 2016	140.55		140.31	

(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, 2017	36,683	26,073	66.6	2,287.41
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				
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 nine months ended December 31, 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 December 31, 2017	11,177,000 shares	As of March 31, 2017	11,177,000 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2017	500,420 shares	As of March 31, 2017	500,330 shares
-------------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	10,676,652 shares	Nine months ended December 31, 2016	10,668,395 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	13,432,572	12,923,258
Notes and accounts receivable - trade	7,835,420	7,895,421
Securities	610,159	495,795
Merchandise	615,130	498,489
Work in process	56,738	390,779
Raw materials and supplies	6,467	4,830
Other	943,509	952,084
Total current assets	23,499,999	23,160,658
Non-current assets		
Property, plant and equipment	195,055	242,608
Intangible assets		
Goodwill	1,396,422	1,497,309
Other	121,576	96,725
Total intangible assets	1,517,999	1,594,034
Investments and other assets		
Investment securities	8,541,514	10,999,967
Long-term time deposits	600,000	–
Other	604,974	685,941
Total investments and other assets	9,746,489	11,685,909
Total non-current assets	11,459,543	13,522,551
Total assets	34,959,542	36,683,210
Liabilities		
Current liabilities		
Accounts payable - trade	4,185,682	4,172,910
Short-term loans payable	–	89,000
Income taxes payable	813,063	184,255
Provision for bonuses	501,109	275,182
Provision for directors' bonuses	80,000	52,500
Other	2,611,732	2,527,271
Total current liabilities	8,191,587	7,301,119
Non-current liabilities		
Net defined benefit liability	2,036,119	2,428,943
Provision for Employee Stock Ownership Plan	30,884	66,157
Provision for Board Benefit Trust	14,800	27,618
Other	511,261	786,045
Total non-current liabilities	2,593,065	3,308,764
Total liabilities	10,784,653	10,609,884

(Thousands of yen)

	As of March 31, 2017	As of December 31, 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	17,947,556
Treasury shares	(690,942)	(691,234)
Total shareholders' equity	20,178,005	21,202,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,684,853	3,435,301
Remeasurements of defined benefit plans	(149,183)	(109,626)
Foreign currency translation adjustment	(154,315)	(106,344)
Total accumulated other comprehensive income	2,381,354	3,219,330
Subscription rights to shares	1,080	1,080
Non-controlling interests	1,614,448	1,650,496
Total net assets	24,174,888	26,073,325
Total liabilities and net assets	34,959,542	36,683,210

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, 2016	Nine months ended December 31, 2017
Net sales	25,421,566	27,739,886
Cost of sales	18,952,855	20,731,289
Gross profit	6,468,710	7,008,597
Total selling, general and administrative expenses	4,249,921	4,441,978
Operating profit	2,218,789	2,566,619
Non-operating income		
Interest income	49,840	35,488
Dividend income	106,397	121,940
Share of profit of entities accounted for using equity method	–	7,386
Other	28,216	29,676
Total non-operating income	184,454	194,491
Non-operating expenses		
Interest expenses	–	526
Loss on investments in partnership	1,956	757
Share of loss of entities accounted for using equity method	2,295	–
Other	893	117
Total non-operating expenses	5,145	1,401
Ordinary profit	2,398,098	2,759,709
Extraordinary income		
Gain on reversal of subscription rights to shares	7,614	–
Total extraordinary income	7,614	–
Profit before income taxes	2,405,713	2,759,709
Income taxes - current	755,868	788,841
Income taxes - deferred	47,712	101,664
Total income taxes	803,581	890,505
Profit	1,602,131	1,869,203
Profit attributable to non-controlling interests	102,697	94,403
Profit attributable to owners of parent	1,499,434	1,774,800

(Thousands of yen)

	3rd quarter ended 31, 2016	3rd quarter ended 31, 2017
Net sales	7,870,479	8,752,304
Cost of sales	5,868,325	6,489,362
Gross profit	2,002,154	2,262,941
Total selling, general and administrative expenses	1,394,363	1,506,271
Operating profit	607,791	756,670
Non-operating income		
Interest income	10,835	11,156
Dividend income	48,995	53,102
Share of profit of entities accounted for using equity method	16,916	8,632
Other	23,310	9,377
Total non-operating income	100,058	82,268
Non-operating expenses		
Interest expenses	–	526
Loss on investments in partnership	408	493
Other	–	0
Total non-operating expenses	408	1,020
Ordinary profit	707,441	837,918
Profit before income taxes	707,441	837,918
Income taxes - current	160,830	185,477
Income taxes - deferred	91,504	80,595
Total income taxes	252,335	266,073
Profit	455,105	571,845
Profit attributable to non-controlling interests	18,597	26,332
Profit attributable to owners of parent	436,507	545,512

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	1,602,131	1,869,203
Other comprehensive income		
Valuation difference on available-for-sale securities	(209,906)	750,447
Foreign currency translation adjustment	(271,207)	52,602
Remeasurements of defined benefit plans, net of tax	39,394	39,556
Share of other comprehensive income of entities accounted for using equity method	(38,722)	3,408
Total other comprehensive income	(480,441)	846,015
Comprehensive income	1,121,690	2,715,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,083,167	2,611,566
Comprehensive income attributable to non-controlling interests	38,522	103,653

(Thousands of yen)

	3rd quarter ended December 31, 2016	3rd quarter ended December 31, 2017
Profit	455,105	571,845
Other comprehensive income		
Valuation difference on available-for-sale securities	172,826	433,686
Foreign currency translation adjustment	(56,580)	41,766
Remeasurements of defined benefit plans, net of tax	13,131	13,185
Share of other comprehensive income of entities accounted for using equity method	(4,761)	5,669
Total other comprehensive income	124,615	494,308
Comprehensive income	579,721	1,066,154
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	583,177	1,030,800
Comprehensive income attributable to non-controlling interests	(3,455)	35,353

Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,405,713	2,759,709
Depreciation	71,552	78,470
Amortization of goodwill	181,271	192,282
Increase (decrease) in provision for bonuses	(197,642)	(254,452)
Increase (decrease) in provision for directors' bonuses	(25,000)	(27,500)
Increase (decrease) in net defined benefit liability	149,953	180,378
Increase (decrease) in provision for Employee Stock Ownership Plan	16,200	35,272
Increase (decrease) in provision for Board Benefit Trust	6,400	12,818
Increase (decrease) in long-term accounts payable - other	(1,593)	(11,591)
Interest and dividend income	(156,237)	(157,428)
Decrease (increase) in notes and accounts receivable - trade	1,598,999	5,610
Decrease (increase) in inventories	(85,091)	(205,208)
Decrease (increase) in advance payments	(27,874)	(116,241)
Decrease (increase) in other current assets	(22,618)	(31,551)
Increase (decrease) in notes and accounts payable - trade	(1,536,437)	(25,644)
Increase (decrease) in advances received	526,792	20,356
Increase (decrease) in accrued consumption taxes	7,946	(97,591)
Increase (decrease) in other current liabilities	92,751	(201,290)
Other, net	10,137	(1,708)
Subtotal	3,015,222	2,154,690
Interest and dividend income received	167,570	156,438
Income taxes paid	(889,108)	(1,254,517)
Net cash provided by (used in) operating activities	2,293,684	1,056,611
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 long-term time deposits	500,000	600,000
Purchase of property, plant and equipment	(53,693)	(86,939)
Purchase of intangible assets	(36,212)	(9,779)
Purchase of investment securities	(800,000)	(1,717,222)
Payments for guarantee deposits	(2,377)	(56,203)
Proceeds from redemption of securities	1,600,000	-
Purchase of golf club memberships	(16,406)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	97,463
Purchase of shares of subsidiaries	-	(10,000)
Purchase of shares of subsidiaries and associates	-	(30,000)
Proceeds from sales of shares of subsidiaries and associates	-	74,823
Proceeds from redemption at maturity of membership	-	10,000
Other, net	4,986	(55)
Net cash provided by (used in) investing activities	1,196,756	(1,128,098)

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	54,234	–
Decrease in short-term loans payable	–	(64,000)
Cash dividends paid	(645,070)	(750,274)
Dividends paid to non-controlling interests	(18,089)	(56,942)
Other, net	1,379	(292)
Net cash provided by (used in) financing activities	(607,545)	(871,508)
Effect of exchange rate change on cash and cash equivalents	(150,290)	19,104
Net increase (decrease) in cash and cash equivalents	2,732,605	(923,891)
Cash and cash equivalents at beginning of period	9,028,466	12,434,682
Cash and cash equivalents at end of period	11,761,071	11,510,790