

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

May 11, 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
 Managing Director, Administration Control
 Inquiries: Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date of ordinary general meeting of shareholders: June 21, 2018
 Scheduled date to file Securities Report: June 22, 2018
 Scheduled date to commence dividend payments: June 22, 2018
 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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	40,176	15.3	3,752	20.6	4,037	19.4	2,582	22.4
Year ended March 31, 2017	34,847	2.4	3,110	26.3	3,381	24.4	2,110	26.9

	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, 2018	241.93	–	10.9	11.0	9.3
Year ended March 31, 2017	197.81	197.47	9.7	9.9	8.9

(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, 2018	38,303	26,422	64.5	2,315.74
As of March 31, 2017	34,959	24,174	64.5	2,112.96

(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, 2018	1,606	(446)	(884)	12,744
Year ended March 31, 2017	2,556	1,468	(607)	12,434

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, 2017	–	30.00	–	36.00	66.00	717	33.4	3.2
Year ended March 31, 2018	–	33.00	–	40.00	73.00	794	30.2	3.3
Year ending March 31, 2019 (Forecast)	–	40.00	–	40.00	80.00		31.6	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	41,600	3.5	3,950	5.3	4,180	3.5	2,700	4.6	252.89

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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: No

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, 2018	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 March 31, 2018	500,420 shares	As of March 31, 2017	500,330 shares
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Average number of shares during the period

Year ended March 31, 2018	10,676,625 shares	Year ended March 31, 2017	10,670,463 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	13,432,572	13,047,524
Notes and accounts receivable - trade	7,835,420	9,093,181
Securities	610,159	1,877,186
Merchandise	615,130	1,259,971
Work in process	56,738	51,637
Raw materials and supplies	6,467	4,774
Deferred tax assets	275,986	304,603
Other	667,522	896,293
Total current assets	23,499,999	26,535,172
Non-current assets		
Property, plant and equipment		
Buildings	75,041	106,949
Accumulated depreciation	(33,726)	(32,137)
Buildings, net	41,314	74,811
Land	2,986	3,436
Other	472,422	526,876
Accumulated depreciation	(321,668)	(369,048)
Other, net	150,753	157,827
Total property, plant and equipment	195,055	236,075
Intangible assets		
Goodwill	1,396,422	1,443,485
Other	121,576	87,135
Total intangible assets	1,517,999	1,530,621
Investments and other assets		
Investment securities	8,541,514	9,298,933
Deferred tax assets	44,409	44,885
Long-term time deposits	600,000	–
Other	560,565	658,033
Total investments and other assets	9,746,489	10,001,852
Total non-current assets	11,459,543	11,768,549
Total assets	34,959,542	38,303,722

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	4,185,682	4,658,222
Short-term loans payable	–	75,000
Income taxes payable	813,063	825,994
Provision for bonuses	501,109	575,068
Provision for directors' bonuses	80,000	90,000
Advances received	1,837,413	1,593,716
Other	774,318	914,959
Total current liabilities	8,191,587	8,732,961
Non-current liabilities		
Net defined benefit liability	2,036,119	2,485,181
Provision for Employee Stock Ownership Plan	30,884	91,171
Provision for Board Benefit Trust	14,800	40,600
Deferred tax liabilities	374,079	407,574
Other	137,182	124,223
Total non-current liabilities	2,593,065	3,148,750
Total liabilities	10,784,653	11,881,712
Net assets		
Shareholders' equity		
Capital stock	1,873,136	1,873,136
Capital surplus	2,072,996	2,073,658
Retained earnings	16,922,815	18,757,140
Treasury shares	(690,942)	(691,234)
Total shareholders' equity	20,178,005	22,012,701
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,684,853	2,895,692
Remeasurements of defined benefit plans	(149,183)	(106,820)
Foreign currency translation adjustment	(154,315)	(77,384)
Total accumulated other comprehensive income	2,381,354	2,711,487
Share acquisition rights	1,080	1,080
Non-controlling interests	1,614,448	1,696,740
Total net assets	24,174,888	26,422,009
Total liabilities and net assets	34,959,542	38,303,722

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

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	34,847,984	40,176,673
Cost of sales	25,962,496	30,274,655
Gross profit	8,885,487	9,902,018
Selling, general and administrative expenses	5,775,074	6,149,480
Operating profit	3,110,413	3,752,538
Non-operating income		
Interest income	62,042	42,055
Dividend income	114,413	128,620
Share of profit of entities accounted for using equity method	64,571	75,258
Other	31,090	40,321
Total non-operating income	272,117	286,255
Non-operating expenses		
Interest expenses	–	888
Loss on sales of non-current assets	726	–
Other	61	117
Total non-operating expenses	787	1,005
Ordinary profit	3,381,742	4,037,788
Extraordinary income		
Gain on reversal of share acquisition rights	7,614	–
Total extraordinary income	7,614	–
Extraordinary losses		
Loss on valuation of golf club membership	–	10,106
Total extraordinary losses	–	10,106
Profit before income taxes	3,389,357	4,027,682
Income taxes - current	1,233,862	1,418,499
Income taxes - deferred	(122,566)	(107,609)
Total income taxes	1,111,296	1,310,890
Profit	2,278,061	2,716,791
Profit attributable to non-controlling interests	167,319	133,805
Profit attributable to owners of parent	2,110,741	2,582,986

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	2,278,061	2,716,791
Other comprehensive income		
Valuation difference on available-for-sale securities	46,998	210,838
Foreign currency translation adjustment	(45,890)	84,140
Remeasurements of defined benefit plans, net of tax	46,185	42,363
Share of other comprehensive income of entities accounted for using equity method	(19,177)	7,673
Total other comprehensive income	28,116	345,015
Comprehensive income	2,306,178	3,061,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,144,086	2,911,910
Comprehensive income attributable to non-controlling interests	162,091	149,897

Consolidated statements of changes in equity

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 share acquisition rights	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
Purchase of treasury shares				(148)	(148)
Acquisition of treasury shares from Employee Stock Ownership Plan or Board Benefit Trust				(332,856)	(332,856)
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				Share acquisition rights	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 share acquisition rights							65,734
Dividends of surplus							(645,078)
Profit attributable to owners of parent							2,110,741
Purchase of treasury shares							(148)
Acquisition of treasury shares from Employee Stock Ownership Plan or Board Benefit Trust							(332,856)
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

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,873,136	2,072,996	16,922,815	(690,942)	20,178,005
Changes of items during period					
Dividends of surplus			(750,557)		(750,557)
Profit attributable to owners of parent			2,582,986		2,582,986
Purchase of treasury shares				(292)	(292)
Purchase of shares of consolidated subsidiaries		662			662
Increasing of retained earnings due to decreasing number of equity method associates			1,896		1,896
Net changes of items other than shareholders' equity					
Total changes of items during period	-	662	1,834,325	(292)	1,834,695
Balance at end of current period	1,873,136	2,073,658	18,757,140	(691,234)	22,012,701

	Accumulated other comprehensive income				Share acquisition rights	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	2,684,853	(149,183)	(154,315)	2,381,354	1,080	1,614,448	24,174,888
Changes of items during period							
Dividends of surplus							(750,557)
Profit attributable to owners of parent							2,582,986
Purchase of treasury shares							(292)
Purchase of shares of consolidated subsidiaries							662
Increasing of retained earnings due to decreasing number of equity method associates							1,896
Net changes of items other than shareholders' equity	210,838	42,363	76,930	330,133	-	82,292	412,425
Total changes of items during period	210,838	42,363	76,930	330,133	-	82,292	2,247,120
Balance at end of current period	2,895,692	(106,820)	(77,384)	2,711,487	1,080	1,696,740	26,422,009

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,389,357	4,027,682
Depreciation	96,366	107,148
Amortization of goodwill	242,010	261,980
Increase (decrease) in provision for bonuses	53,355	45,433
Increase (decrease) in provision for directors' bonuses	10,000	10,000
Increase (decrease) in net defined benefit liability	189,059	242,823
Increase (decrease) in provision for Employee Stock Ownership Plan	30,884	60,286
Increase (decrease) in provision for Directors' Stock Ownership Plan	14,800	25,800
Increase (decrease) in long-term accounts payable - other	(1,943)	(11,968)
Interest and dividend income	(176,455)	(170,675)
Share of loss (profit) of entities accounted for using equity method	(64,571)	(75,258)
Decrease (increase) in notes and accounts receivable - trade	429,561	(1,178,753)
Decrease (increase) in inventories	(295,913)	(627,494)
Decrease (increase) in advance payments	(119,857)	(257,850)
Decrease (increase) in other current assets	(32,464)	38,080
Increase (decrease) in notes and accounts payable - trade	(975,899)	459,667
Increase (decrease) in advances received	218,590	(248,534)
Increase (decrease) in accrued consumption taxes	73,205	(69,054)
Increase (decrease) in other current liabilities	162,105	39,902
Other, net	11,682	11,734
Subtotal	3,253,873	2,690,951
Interest and dividend income received	196,757	176,889
Interest expenses paid	–	(888)
Income taxes paid	(893,877)	(1,260,114)
Net cash provided by (used in) operating activities	2,556,753	1,606,838
Cash flows from investing activities		
Payments into time deposits	(1,933,330)	(1,934,930)
Proceeds from withdrawal of time deposits	1,934,872	1,936,263
Proceeds from Long-term time deposits	500,000	1,226,745
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	97,463
Payments for guarantee deposits	(2,377)	(89,952)
Proceeds from collection of guarantee deposits	4,853	12,994
Purchase of property, plant and equipment	(59,260)	(97,886)
Purchase of intangible assets	(48,559)	(12,032)
Purchase of investment securities	(800,000)	(1,727,222)
Proceeds from redemption of securities	1,900,000	100,000
Purchase of long-term prepaid expenses	(12,579)	(2,834)
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
Purchase of golf club memberships	(16,406)	–
Other, net	1,309	280
Net cash provided by (used in) investing activities	1,468,523	(446,288)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	54,234	–
Decrease in short-term loans payable	–	(78,000)
Cash dividends paid	(644,806)	(749,724)
Dividends paid to non-controlling interests	(18,089)	(56,942)
Other, net	1,379	(292)
Net cash provided by (used in) financing activities	(607,281)	(884,959)
Effect of exchange rate change on cash and cash equivalents	(11,779)	34,437
Net increase (decrease) in cash and cash equivalents	3,406,215	310,028
Cash and cash equivalents at beginning of period	9,028,466	12,434,682
Cash and cash equivalents at end of period	12,434,682	12,744,710