

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 1, 2019

Company name: ARGO GRAPHICS Inc.
 Stock exchange listing: Tokyo
 Stock code: 7595 URL <https://corp.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 8, 2019
 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, 2018 (from April 1, 2018 to December 31, 2018)

(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, 2018	32,643	17.7	3,667	42.9	3,898	41.3	2,603	46.7
Nine months ended December 31, 2017	27,739	9.1	2,566	15.7	2,759	15.1	1,774	18.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	243.86		243.86	
Nine months ended December 31, 2017	166.23		–	

(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, 2018	39,949	27,492	64.4	2,410.45
As of March 31, 2018	38,303	26,422	64.5	2,315.74

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, 2018	–	33.00	–	–	–
Year ending March 31, 2019	–	40.00	–	–	–
Year ending March 31, 2019 (Forecast)	–	–	–	40.00	80.00

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	44,100	9.8	4,720	25.8	4,980	23.4	3,300	27.8	309.08

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018
(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, 2018	11,177,000 shares	As of March 31, 2018	11,177,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	500,220 shares	As of March 31, 2018	500,420 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, 2018	10,676,624 shares	Nine months ended December 31, 2017	10,676,652 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	13,047,524	14,530,954
Notes and accounts receivable - trade	9,093,181	10,038,500
Securities	1,877,186	168,389
Merchandise	1,259,971	1,133,187
Work in process	51,637	573,723
Raw materials and supplies	4,774	3,739
Other	896,293	1,720,006
Total current assets	26,230,569	28,168,501
Non-current assets		
Property, plant and equipment	236,075	233,906
Intangible assets		
Goodwill	1,443,485	1,243,790
Other	87,135	68,501
Total intangible assets	1,530,621	1,312,292
Investments and other assets		
Investment securities	9,298,933	9,396,227
Other	1,007,522	838,332
Total investments and other assets	10,306,456	10,234,559
Total non-current assets	12,073,153	11,780,759
Total assets	38,303,722	39,949,260
Liabilities		
Current liabilities		
Accounts payable - trade	4,658,222	5,825,726
Short-term loans payable	75,000	–
Income taxes payable	825,994	475,325
Provision for bonuses	575,068	296,151
Provision for loss on order received	–	43,045
Provision for directors' bonuses	90,000	67,500
Other	2,508,676	2,826,621
Total current liabilities	8,732,961	9,534,371
Non-current liabilities		
Net defined benefit liability	2,485,181	2,587,534
Provision for Employee Stock Ownership Plan	91,171	137,991
Provision for Board Benefit Trust	40,600	58,933
Other	531,797	137,742
Total non-current liabilities	3,148,750	2,922,200
Total liabilities	11,881,712	12,456,572
Net assets		
Shareholders' equity		
Capital stock	1,873,136	1,873,136
Capital surplus	2,073,658	2,073,167
Retained earnings	18,757,140	20,490,566
Treasury shares	(691,234)	(690,902)
Total shareholders' equity	22,012,701	23,745,967

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,895,692	2,139,262
Remeasurements of defined benefit plans	(106,820)	(80,456)
Foreign currency translation adjustment	(77,384)	(68,877)
Total accumulated other comprehensive income	2,711,487	1,989,928
Share acquisition rights	1,080	208
Non-controlling interests	1,696,740	1,756,583
Total net assets	26,422,009	27,492,688
Total liabilities and net assets	38,303,722	39,949,260

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, 2017	Nine months ended December 31, 2018
Net sales	27,739,886	32,643,930
Cost of sales	20,731,289	24,317,118
Gross profit	7,008,597	8,326,812
Total selling, general and administrative expenses	4,441,978	4,659,685
Operating profit	2,566,619	3,667,126
Non-operating income		
Interest income	35,488	27,374
Dividend income	121,940	123,729
Gain on sales of securities	–	3,026
Share of profit of entities accounted for using equity method	7,386	56,184
Other	29,676	24,510
Total non-operating income	194,491	234,826
Non-operating expenses		
Interest expenses	526	590
Loss on investments in partnership	757	2,399
Other	117	134
Total non-operating expenses	1,401	3,124
Ordinary profit	2,759,709	3,898,828
Extraordinary losses		
Loss on valuation of golf club membership	–	550
Loss on sales of shares of subsidiaries and associates	–	4,306
Total extraordinary losses	–	4,856
Profit before income taxes	2,759,709	3,893,972
Income taxes - current	788,841	1,107,723
Income taxes - deferred	101,664	70,871
Total income taxes	890,505	1,178,595
Profit	1,869,203	2,715,377
Profit attributable to non-controlling interests	94,403	111,744
Profit attributable to owners of parent	1,774,800	2,603,632

(Thousands of yen)

	3rd quarter ended 31, 2017	December 31, 2018
Net sales	8,752,304	10,626,255
Cost of sales	6,489,362	7,797,681
Gross profit	2,262,941	2,828,573
Total selling, general and administrative expenses	1,506,271	1,516,822
Operating profit	756,670	1,311,751
Non-operating income		
Interest income	11,156	8,051
Dividend income	53,102	55,818
Gain on sales of securities	–	3,026
Share of profit of entities accounted for using equity method	8,632	9,766
Other	9,377	449
Total non-operating income	82,268	77,112
Non-operating expenses		
Interest expenses	526	13
Loss on investments in partnership	493	1,199
Other	0	–
Total non-operating expenses	1,020	1,212
Ordinary profit	837,918	1,387,651
Extraordinary losses		
Loss on valuation of golf club membership	–	550
Loss on sales of shares of subsidiaries and associates	–	4,306
Total extraordinary losses	–	4,856
Profit before income taxes	837,918	1,382,794
Income taxes - current	185,477	353,404
Income taxes - deferred	80,595	84,836
Total income taxes	266,073	438,240
Profit	571,845	944,554
Profit attributable to non-controlling interests	26,332	29,652
Profit attributable to owners of parent	545,512	914,902

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	1,869,203	2,715,377
Other comprehensive income		
Valuation difference on available-for-sale securities	750,447	(756,430)
Foreign currency translation adjustment	52,602	25,585
Remeasurements of defined benefit plans, net of tax	39,556	26,363
Share of other comprehensive income of entities accounted for using equity method	3,408	(9,829)
Total other comprehensive income	846,015	(714,309)
Comprehensive income	2,715,219	2,001,067
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,611,566	1,882,073
Comprehensive income attributable to non-controlling interests	103,653	118,994

(Thousands of yen)

	3rd quarter endedDecember 31, 2017	3rd quarter endedDecember 31, 2018
Profit	571,845	944,554
Other comprehensive income		
Valuation difference on available-for-sale securities	433,686	(1,371,168)
Foreign currency translation adjustment	41,766	84,880
Remeasurements of defined benefit plans, net of tax	13,185	8,787
Share of other comprehensive income of entities accounted for using equity method	5,669	24,523
Total other comprehensive income	494,308	(1,252,976)
Comprehensive income	1,066,154	(308,421)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,030,800	(360,005)
Comprehensive income attributable to non-controlling interests	35,353	51,583

Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,759,709	3,893,972
Depreciation	78,470	66,200
Amortization of goodwill	192,282	208,619
Increase (decrease) in provision for bonuses	(254,452)	(278,916)
Increase (decrease) in provision for directors' bonuses	(27,500)	(22,500)
Increase (decrease) in net defined benefit liability	180,378	140,351
Increase (decrease) in provision for Employee Stock Ownership Plan	35,272	46,820
Increase (decrease) in provision for Board Benefit Trust	12,818	18,332
Increase (decrease) in long-term accounts payable - other	(11,591)	250
Interest and dividend income	(157,428)	(151,103)
Share of loss (profit) of entities accounted for using equity method	-	(56,184)
Decrease (increase) in notes and accounts receivable - trade	5,610	(943,573)
Decrease (increase) in inventories	(205,208)	(394,265)
Decrease (increase) in advance payments	(116,241)	(718,185)
Decrease (increase) in other current assets	(31,551)	(43,647)
Increase (decrease) in notes and accounts payable - trade	(25,644)	1,167,504
Increase (decrease) in advances received	20,356	466,156
Increase (decrease) in accrued consumption taxes	(97,591)	51,657
Increase (decrease) in other current liabilities	(201,290)	(225,130)
Increase (decrease) in provision for loss on order received	-	43,045
Other, net	(1,708)	10,701
Subtotal	2,154,690	3,280,103
Interest and dividend income received	156,438	171,796
Interest expenses paid	-	(590)
Income taxes paid	(1,254,517)	(1,488,813)
Net cash provided by (used in) operating activities	1,056,611	1,962,495
Cash flows from investing activities		
Payments into time deposits	(1,008,185)	(1,557,127)
Proceeds from withdrawal of time deposits	1,008,000	980,000
Proceeds from long-term time deposits	600,000	-
Purchase of property, plant and equipment	(86,939)	(35,076)
Purchase of intangible assets	(9,779)	(10,408)
Purchase of investment securities	(1,717,222)	(1,206,636)
Proceeds from sales of investment securities	-	20,121
Payments for guarantee deposits	(56,203)	(1,289)
Proceeds from redemption of securities	-	1,200,000
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	30,000
Proceeds from redemption at maturity of membership	10,000	2,000
Other, net	(55)	7,345
Net cash provided by (used in) investing activities	(1,128,098)	(571,071)

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from financing activities		
Decrease in short-term loans payable	(64,000)	(75,000)
Cash dividends paid	(750,274)	(870,912)
Dividends paid to non-controlling interests	(56,942)	(64,516)
Other, net	(292)	–
Net cash provided by (used in) financing activities	(871,508)	(1,010,429)
Effect of exchange rate change on cash and cash equivalents	19,104	(1,089)
Net increase (decrease) in cash and cash equivalents	(923,891)	379,906
Cash and cash equivalents at beginning of period	12,434,682	12,744,710
Cash and cash equivalents at end of period	11,510,790	13,124,616