

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 Year Ended March 31, 2019 (Based on Japanese GAAP)

May 14, 2019

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 20, 2019
 Scheduled date to file Securities Report: June 21, 2019
 Scheduled date to commence dividend payments: June 21, 2019
 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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	45,174	12.4	4,951	31.9	5,250	30.0	3,530	36.6
Year ended March 31, 2018	40,176	15.3	3,752	20.6	4,037	19.4	2,582	22.4

	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, 2019	165.32	165.32	13.5	12.6	11.0
Year ended March 31, 2018	120.96	120.93	10.9	11.0	9.3

(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, 2019	44,918	29,331	61.3	1,289.61
As of March 31, 2018	38,082	26,422	64.9	1,157.86

(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, 2019	4,271	(278)	(1,010)	15,676
Year ended March 31, 2018	1,585	(446)	(884)	12,723

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, 2018	—	33.00	—	40.00	73.00	794	30.2	3.3
Year ended March 31, 2019	—	40.00	—	50.00	90.00	978	27.1	3.6
Year ending March 31, 2020 (Forecast)	—	25.00	—	25.00	50.00		30.0	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	46,400	2.7	5,130	3.6	5,380	2.5	3,550	0.6	166.25

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(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, 2019	22,354,000 shares	As of March 31, 2018	22,354,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2019	1,000,440 shares	As of March 31, 2018	1,000,840 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2019	21,353,327 shares	Year ended March 31, 2018	21,353,250 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	13,047,524	16,944,905
Notes and accounts receivable - trade	8,607,060	11,136,789
Electronically recorded monetary claims - operating	486,120	415,167
Lease investment assets	187,968	765,829
Securities	1,877,186	17,499
Merchandise	1,259,971	1,290,049
Work in process	51,637	180,281
Raw materials and supplies	4,774	4,210
Other	708,325	1,104,279
Total current assets	26,230,569	31,859,011
Non-current assets		
Property, plant and equipment		
Buildings	106,949	121,260
Accumulated depreciation	(32,137)	(41,240)
Buildings, net	74,811	80,020
Land	3,436	3,926
Other	526,876	543,358
Accumulated depreciation	(369,048)	(394,692)
Other, net	157,827	148,665
Total property, plant and equipment	236,075	232,612
Intangible assets		
Goodwill	1,443,485	1,156,480
Other	87,135	59,330
Total intangible assets	1,530,621	1,215,811
Investments and other assets		
Investment securities	9,298,933	10,833,276
Deferred tax assets	128,332	129,553
Other	658,033	648,613
Total investments and other assets	10,085,300	11,611,443
Total non-current assets	11,851,997	13,059,868
Total assets	38,082,566	44,918,879

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	4,658,222	7,497,955
Short-term loans payable	75,000	—
Income taxes payable	825,994	1,072,115
Provision for bonuses	575,068	582,599
Provision for bonuses for directors (and other officers)	90,000	110,000
Advances received	1,593,716	2,042,019
Other	914,959	1,160,750
Total current liabilities	8,732,961	12,465,440
Non-current liabilities		
Retirement benefit liability	2,485,181	2,648,012
Provision for Employee Stock Ownership Plan	91,171	151,871
Provision for Board Benefit Trust	40,600	67,631
Deferred tax liabilities	186,418	128,235
Other	124,223	126,107
Total non-current liabilities	2,927,594	3,121,857
Total liabilities	11,660,556	15,587,298
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	21,417,044
Treasury shares	(691,234)	(690,902)
Total shareholders' equity	22,012,701	24,672,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,895,692	3,078,205
Remeasurements of defined benefit plans	(106,820)	(104,167)
Foreign currency translation adjustment	(77,384)	(108,676)
Total accumulated other comprehensive income	2,711,487	2,865,361
Share acquisition rights	1,080	208
Non-controlling interests	1,696,740	1,793,565
Total net assets	26,422,009	29,331,581
Total liabilities and net assets	38,082,566	44,918,879

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

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	40,176,673	45,174,445
Cost of sales	30,274,655	33,840,872
Gross profit	9,902,018	11,333,573
Selling, general and administrative expenses	6,149,480	6,382,118
Operating profit	3,752,538	4,951,454
Non-operating income		
Interest income	42,055	36,336
Dividend income	128,620	133,083
Gain on sales of investment securities	—	3,026
Share of profit of entities accounted for using equity method	75,258	150,178
Other	40,321	35,495
Total non-operating income	286,255	358,119
Non-operating expenses		
Interest expenses	888	599
Loss on valuation of derivatives	—	36,519
Other	117	22,136
Total non-operating expenses	1,005	59,255
Ordinary profit	4,037,788	5,250,318
Extraordinary losses		
Loss on valuation of golf club membership	10,106	550
Loss on valuation of investment securities	—	2,772
Loss on sales of shares of subsidiaries and associates	—	4,306
Total extraordinary losses	10,106	7,628
Profit before income taxes	4,027,682	5,242,690
Income taxes - current	1,418,499	1,691,853
Income taxes - deferred	(107,609)	(141,124)
Total income taxes	1,310,890	1,550,729
Profit	2,716,791	3,691,961
Profit attributable to non-controlling interests	133,805	161,850
Profit attributable to owners of parent	2,582,986	3,530,110

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	2,716,791	3,691,961
Other comprehensive income		
Valuation difference on available-for-sale securities	210,838	182,512
Foreign currency translation adjustment	84,140	(22,622)
Remeasurements of defined benefit plans, net of tax	42,363	2,652
Share of other comprehensive income of entities accounted for using equity method	7,673	(14,542)
Total other comprehensive income	345,015	148,000
Comprehensive income	3,061,807	3,839,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,911,910	3,683,983
Comprehensive income attributable to non-controlling interests	149,897	155,977

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2019

(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	2,073,658	18,757,140	(691,234)	22,012,701
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					
Dividends of surplus			(870,206)		(870,206)
Profit attributable to owners of parent			3,530,110		3,530,110
Transfer of treasury shares by Employee Stock Ownership Plan				331	331
Change in ownership interest of parent due to transactions with non-controlling interests		(491)			(491)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(491)	2,659,904	331	2,659,744
Balance at end of current period	1,873,136	2,073,167	21,417,044	(690,902)	24,672,445

	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	2,895,692	(106,820)	(77,384)	2,711,487	1,080	1,696,740	26,422,009
Changes of items during period							
Issuance of new shares - exercise of share acquisition rights					(871)		(871)
Dividends of surplus							(870,206)
Profit attributable to owners of parent							3,530,110
Transfer of treasury shares by Employee Stock Ownership Plan							331
Change in ownership interest of parent due to transactions with non-controlling interests							(491)
Net changes of items other than shareholders' equity	182,512	2,652	(31,292)	153,873	—	96,825	250,698
Total changes of items during period	182,512	2,652	(31,292)	153,873	(871)	96,825	2,909,571
Balance at end of current period	3,078,205	(104,167)	(108,676)	2,865,361	208	1,793,565	29,331,581

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	4,027,682	5,242,690
Depreciation	107,148	89,094
Amortization of goodwill	261,980	278,475
Loss (gain) on valuation of derivatives	—	36,519
Loss (gain) on valuation of investment securities	—	2,772
Increase (decrease) in provision for bonuses	45,433	7,531
Increase (decrease) in provision for bonuses for directors (and other officers)	10,000	20,000
Increase (decrease) in retirement benefit liability	242,823	166,654
Loss (gain) on sales of shares of subsidiaries and associates	—	4,306
Increase (decrease) in provision for Employee Stock Ownership Plan	60,286	60,700
Increase (decrease) in provision for Directors' Stock Ownership Plan	25,800	27,030
Increase (decrease) in long-term accounts payable - other	(11,968)	1,484
Interest and dividend income	(170,675)	(169,419)
Share of loss (profit) of entities accounted for using equity method	(75,258)	(150,178)
Decrease (increase) in notes and accounts receivable - trade	(1,178,753)	(2,457,029)
Decrease (increase) in lease investment assets	(187,968)	(577,860)
Decrease (increase) in inventories	(627,494)	(158,156)
Decrease (increase) in advance payments	(69,882)	(408,855)
Decrease (increase) in other current assets	38,080	17,509
Increase (decrease) in notes and accounts payable - trade	459,667	2,839,732
Increase (decrease) in advances received	(248,534)	448,302
Increase (decrease) in accrued consumption taxes	(69,054)	143,851
Increase (decrease) in other current liabilities	39,902	81,771
Other, net	(9,448)	(7,008)
Subtotal	2,669,768	5,539,918
Interest and dividend income received	176,889	190,010
Interest expenses paid	(888)	(599)
Income taxes paid	(1,260,114)	(1,457,579)
Net cash provided by (used in) operating activities	1,585,655	4,271,750

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(1,934,930)	(2,627,535)
Proceeds from withdrawal of time deposits	1,936,263	2,370,000
Proceeds from Long-term time deposits	1,226,745	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	97,463	–
Payments for guarantee deposits	(89,952)	(1,314)
Proceeds from collection of guarantee deposits	12,994	7,631
Purchase of property, plant and equipment	(97,886)	(49,297)
Purchase of intangible assets	(12,032)	(11,017)
Purchase of investment securities	(1,727,222)	(1,207,688)
Proceeds from sales of investment securities	–	20,121
Proceeds from redemption of securities	100,000	1,200,000
Purchase of long-term prepaid expenses	(2,834)	(11,072)
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	280	(541)
Net cash provided by (used in) investing activities	(446,288)	(278,713)
Cash flows from financing activities		
Decrease in short-term loans payable	(78,000)	(75,000)
Cash dividends paid	(749,724)	(871,335)
Dividends paid to non-controlling interests	(56,942)	(64,516)
Other, net	(292)	–
Net cash provided by (used in) financing activities	(884,959)	(1,010,852)
Effect of exchange rate change on cash and cash equivalents	34,437	(29,462)
Net increase (decrease) in cash and cash equivalents	288,845	2,952,722
Cash and cash equivalents at beginning of period	12,434,682	12,723,527
Cash and cash equivalents at end of period	12,723,527	15,676,249