

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

July 27, 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 to file Quarterly Securities Report: August 10, 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 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	%
Three months ended June 30, 2018	11,389	17.9	1,240	37.8	1,316	37.6	931	51.6
Three months ended June 30, 2017	9,660	8.4	899	16.1	956	17.4	614	19.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	87.21	–
Three months ended June 30, 2017	57.52	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2018	38,054	27,157	66.9	2,385.75
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	Yen	Yen	Yen	Yen
Year ended March 31, 2018	–	33.00	–	40.00	73.00
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	40.00	–	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	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 three months ended June 30, 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 June 30, 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 June 30, 2018	500,420 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)

Three months ended June 30, 2018	10,676,580 shares	Three months ended June 30, 2017	10,676,670 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	13,047,524	13,737,009
Notes and accounts receivable - trade	9,093,181	8,623,220
Securities	1,877,186	1,266,150
Merchandise	1,259,971	669,989
Work in process	51,637	88,818
Raw materials and supplies	4,774	4,756
Other	896,293	1,340,591
Total current assets	26,230,569	25,730,536
Non-current assets		
Property, plant and equipment	236,075	244,215
Intangible assets		
Goodwill	1,443,485	1,362,968
Other	87,135	77,678
Total intangible assets	1,530,621	1,440,646
Investments and other assets		
Investment securities	9,298,933	9,730,227
Other	1,007,522	908,489
Total investments and other assets	10,306,456	10,638,716
Total non-current assets	12,073,153	12,323,579
Total assets	38,303,722	38,054,115
Liabilities		
Current liabilities		
Accounts payable - trade	4,658,222	3,424,933
Short-term loans payable	75,000	75,000
Income taxes payable	825,994	334,947
Provision for bonuses	575,068	303,218
Provision for directors' bonuses	90,000	17,503
Other	2,508,676	3,403,721
Total current liabilities	8,732,961	7,559,323
Non-current liabilities		
Net defined benefit liability	2,485,181	2,539,345
Provision for Employee Stock Ownership Plan	91,171	103,587
Provision for Board Benefit Trust	40,600	44,906
Other	531,797	649,705
Total non-current liabilities	3,148,750	3,337,545
Total liabilities	11,881,712	10,896,869
Net assets		
Shareholders' equity		
Capital stock	1,873,136	1,873,136
Capital surplus	2,073,658	2,073,619
Retained earnings	18,757,140	19,253,162
Treasury shares	(691,234)	(691,234)
Total shareholders' equity	22,012,701	22,508,684

	(Thousands of yen)	
	As of March 31, 2018	As of June 30, 2018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,895,692	3,203,167
Remeasurements of defined benefit plans	(106,820)	(98,031)
Foreign currency translation adjustment	(77,384)	(142,183)
Total accumulated other comprehensive income	2,711,487	2,962,953
Share acquisition rights	1,080	208
Non-controlling interests	1,696,740	1,685,399
Total net assets	26,422,009	27,157,246
Total liabilities and net assets	38,303,722	38,054,115

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	9,660,022	11,389,609
Cost of sales	7,292,946	8,591,945
Gross profit	2,367,075	2,797,663
Total selling, general and administrative expenses	1,467,204	1,557,552
Operating profit	899,871	1,240,111
Non-operating income		
Interest income	10,188	8,035
Dividend income	62,157	60,581
Other	14,816	15,710
Total non-operating income	87,162	84,327
Non-operating expenses		
Share of loss of entities accounted for using equity method	29,670	7,222
Other	555	483
Total non-operating expenses	30,226	7,705
Ordinary profit	956,807	1,316,732
Profit before income taxes	956,807	1,316,732
Income taxes - current	345,029	350,518
Income taxes - deferred	5,714	17,258
Total income taxes	350,743	367,776
Profit	606,063	948,956
Profit (loss) attributable to non-controlling interests	(8,034)	17,830
Profit attributable to owners of parent	614,098	931,125

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	606,063	948,956
Other comprehensive income		
Valuation difference on available-for-sale securities	427,824	307,475
Foreign currency translation adjustment	(126)	(37,944)
Remeasurements of defined benefit plans, net of tax	13,185	8,788
Share of other comprehensive income of entities accounted for using equity method	(4,286)	(4,519)
Total other comprehensive income	436,596	273,800
Comprehensive income	1,042,660	1,222,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,052,324	1,215,743
Comprehensive income attributable to non-controlling interests	(9,664)	7,012

Consolidated statements of cash flows

(Thousands of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	956,807	1,316,732
Depreciation	24,479	22,074
Amortization of goodwill	61,687	69,697
Increase (decrease) in provision for bonuses	(260,186)	(271,849)
Increase (decrease) in provision for directors' bonuses	(62,500)	(72,497)
Increase (decrease) in net defined benefit liability	65,163	66,831
Increase (decrease) in provision for Employee Stock Ownership Plan	11,972	12,416
Interest and dividend income	(72,345)	(69,606)
Share of loss (profit) of entities accounted for using equity method	29,670	7,222
Decrease (increase) in notes and accounts receivable - trade	733,292	471,706
Decrease (increase) in inventories	368,336	552,820
Decrease (increase) in advance payments	(387,737)	(318,384)
Decrease (increase) in other current assets	(18,685)	(59,728)
Increase (decrease) in notes and accounts payable - trade	(1,278,851)	(1,233,289)
Increase (decrease) in advances received	569,100	551,883
Increase (decrease) in accrued consumption taxes	(21,669)	115,982
Increase (decrease) in other current liabilities	175,067	191,088
Other, net	4,188	6,273
Subtotal	897,788	1,359,374
Interest and dividend income received	67,839	79,534
Interest expenses paid	–	(349)
Income taxes paid	(774,175)	(863,396)
Net cash provided by (used in) operating activities	191,452	575,163
Cash flows from investing activities		
Payments into time deposits	–	(510,435)
Purchase of property, plant and equipment	(15,389)	(22,117)
Payments for guarantee deposits	(51,574)	(554)
Purchase of shares of subsidiaries	(10,000)	–
Proceeds from sales of shares of subsidiaries and associates	74,823	–
Proceeds from redemption of membership	10,000	–
Other, net	(7,139)	6,616
Net cash provided by (used in) investing activities	720	(526,490)
Cash flows from financing activities		
Cash dividends paid	(391,709)	(435,262)
Dividends paid to non-controlling interests	(13,948)	(18,598)
Net cash provided by (used in) financing activities	(405,658)	(453,860)
Effect of exchange rate change on cash and cash equivalents	(5,033)	(26,797)
Net increase (decrease) in cash and cash equivalents	(218,518)	(431,985)
Cash and cash equivalents at beginning of period	12,434,682	12,744,710
Cash and cash equivalents at end of period	12,216,163	12,312,725