

Translation

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

October 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
 Managing Director, Administration Control
 Inquiries: Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: November 9, 2018
 Scheduled date to commence dividend payments: December 7, 2018
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 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	%
Six months ended September 30, 2018	22,017	16.0	2,355	30.2	2,511	30.7	1,688	37.3
Six months ended September 30, 2017	18,987	8.2	1,809	12.4	1,921	13.7	1,229	15.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	158.17	158.17
Six months ended September 30, 2017	115.14	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	40,524	28,235	65.5	2,484.94
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	—	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	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 six months ended September 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 September 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 September 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)

Six months ended September 30, 2018	10,676,580 shares	Six months ended September 30, 2017	10,676,663 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	13,047,524	14,861,780
Notes and accounts receivable - trade	9,093,181	8,937,003
Securities	1,877,186	125,778
Merchandise	1,259,971	1,174,884
Work in process	51,637	171,357
Raw materials and supplies	4,774	4,384
Other	896,293	1,530,611
Total current assets	26,230,569	26,805,800
Non-current assets		
Property, plant and equipment	236,075	241,585
Intangible assets		
Goodwill	1,443,485	1,279,133
Other	87,135	72,157
Total intangible assets	1,530,621	1,351,290
Investments and other assets		
Investment securities	9,298,933	11,397,357
Other	1,007,522	728,099
Total investments and other assets	10,306,456	12,125,456
Total non-current assets	12,073,153	13,718,332
Total assets	38,303,722	40,524,133
Liabilities		
Current liabilities		
Accounts payable - trade	4,658,222	4,926,194
Income taxes payable	825,994	738,418
Provision for bonuses	575,068	576,887
Provision for loss on order received	—	95,268
Provision for directors' bonuses	90,000	45,000
Other	2,583,676	2,591,643
Total current liabilities	8,732,961	8,973,412
Non-current liabilities		
Net defined benefit liability	2,485,181	2,575,561
Provision for Employee Stock Ownership Plan	91,171	122,477
Provision for Board Benefit Trust	40,600	53,009
Other	531,797	563,789
Total non-current liabilities	3,148,750	3,314,838
Total liabilities	11,881,712	12,288,251

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
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	20,010,767
Treasury shares	(691,234)	(691,234)
Total shareholders' equity	22,012,701	23,265,837
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,895,692	3,510,430
Remeasurements of defined benefit plans	(106,820)	(89,243)
Foreign currency translation adjustment	(77,384)	(156,350)
Total accumulated other comprehensive income	2,711,487	3,264,836
Share acquisition rights	1,080	208
Non-controlling interests	1,696,740	1,704,999
Total net assets	26,422,009	28,235,881
Total liabilities and net assets	38,303,722	40,524,133

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	18,987,582	22,017,675
Cost of sales	14,241,927	16,519,437
Gross profit	4,745,655	5,498,238
Selling, general and administrative expenses	2,935,689	3,142,863
Operating profit	1,809,965	2,355,374
Non-operating income		
Interest income	24,331	19,322
Dividend income	68,837	67,911
Share of profit of entities accounted for using equity method	—	46,418
Other	20,299	24,061
Total non-operating income	113,468	157,714
Non-operating expenses		
Interest expenses	—	576
Loss on investments in partnership	263	1,200
Share of loss of entities accounted for using equity method	1,245	—
Other	133	134
Total non-operating expenses	1,643	1,911
Ordinary profit	1,921,791	2,511,177
Profit before income taxes	1,921,791	2,511,177
Income taxes - current	603,364	754,319
Income taxes - deferred	21,068	(13,964)
Total income taxes	624,432	740,354
Profit	1,297,358	1,770,822
Profit attributable to non-controlling interests	68,071	82,092
Profit attributable to owners of parent	1,229,287	1,688,730

(Thousands of yen)

	2nd quarter endedSeptember 30, 2017	2nd quarter endedSeptember 30, 2018
Net sales	9,327,560	10,628,066
Cost of sales	6,948,980	7,927,491
Gross profit	2,378,579	2,700,574
Selling, general and administrative expenses	1,468,494	1,585,311
Operating profit	910,084	1,115,263
Non-operating income		
Interest income	14,143	10,298
Dividend income	—	7,329
Share of profit of entities accounted for using equity method	28,424	53,640
Other	12,330	10,054
Total non-operating income	54,898	81,322
Non-operating expenses		
Interest expenses	—	227
Loss on investments in partnership	—	1,914
Total non-operating expenses	—	2,141
Ordinary profit	964,983	1,194,444
Profit before income taxes	964,983	1,194,444
Income taxes - current	258,334	403,801
Income taxes - deferred	15,354	(31,223)
Total income taxes	273,689	372,577
Profit	691,294	821,866
Profit attributable to non-controlling interests	76,105	64,261
Profit attributable to owners of parent	615,188	757,604

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	1,297,358	1,770,822
Other comprehensive income		
Valuation difference on available-for-sale securities	316,761	614,737
Foreign currency translation adjustment	10,835	(59,294)
Remeasurements of defined benefit plans, net of tax	26,371	17,576
Share of other comprehensive income of entities accounted for using equity method	(2,261)	(34,352)
Total other comprehensive income	351,706	538,666
Comprehensive income	1,649,065	2,309,489
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,580,765	2,242,078
Comprehensive income attributable to non-controlling interests	68,299	67,410

	(Thousands of yen)	
	2nd quarter endedSeptember 30, 2017	2nd quarter endedSeptember 30, 2018
Profit	691,294	821,866
Other comprehensive income		
Valuation difference on available-for-sale securities	(111,063)	307,262
Foreign currency translation adjustment	10,962	(21,350)
Remeasurements of defined benefit plans, net of tax	13,185	8,787
Share of other comprehensive income of entities accounted for using equity method	2,025	(29,833)
Total other comprehensive income	(84,889)	264,866
Comprehensive income	606,404	1,086,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	528,440	1,026,335
Comprehensive income attributable to non-controlling interests	77,963	60,397

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,921,791	2,511,177
Depreciation	49,870	43,984
Amortization of goodwill	123,374	139,237
Increase (decrease) in provision for bonuses	936	1,819
Increase (decrease) in provision for directors' bonuses	(45,000)	(45,000)
Increase (decrease) in net defined benefit liability	131,030	115,713
Increase (decrease) in provision for Employee Stock Ownership Plan	23,515	31,306
Increase (decrease) in Provision for Board Benefit Trust	9,423	12,408
Interest and dividend income	(93,169)	(87,234)
Share of loss (profit) of entities accounted for using equity method	1,245	(46,418)
Decrease (increase) in notes and accounts receivable - trade	(827,441)	157,923
Decrease (increase) in inventories	287,070	(34,242)
Decrease (increase) in advance payments	(201,429)	(590,487)
Decrease (increase) in other current assets	5,673	36,187
Increase (decrease) in notes and accounts payable - trade	(572,339)	267,972
Increase (decrease) in advances received	239,412	376,750
Increase (decrease) in accrued consumption taxes	(38,829)	30,222
Increase (decrease) in other current liabilities	(204,360)	(323,082)
Increase (decrease) in provision for loss on order received	—	95,268
Other, net	(6,054)	1,880
Subtotal	804,721	2,695,388
Interest and dividend income received	100,767	109,685
Interest expenses paid	—	(576)
Income taxes paid	(785,543)	(899,011)
Net cash provided by (used in) operating activities	119,945	1,905,485
Cash flows from investing activities		
Payments into time deposits	(1,008,185)	(1,074,995)
Proceeds from withdrawal of time deposits	1,008,000	980,000
Proceeds from withdrawal of long-term time deposits	600,000	—
Payments for guarantee deposits	(58,617)	(1,074)
Purchase of property, plant and equipment	(38,959)	(30,919)
Purchase of intangible assets	(8,182)	(4,443)
Purchase of investment securities	(706,714)	(1,204,636)
Proceeds from redemption of investment securities	—	1,200,000
Purchase of shares of subsidiaries	(10,000)	—
Proceeds from sales of shares of subsidiaries and associates	74,823	—
Proceeds from redemption at maturity of membership	10,000	—
Other, net	8,356	7,221
Net cash provided by (used in) investing activities	(129,478)	(128,847)

	(Thousands of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Decrease in short-term loans payable	–	(75,000)
Cash dividends paid	(390,868)	(435,697)
Dividends paid to non-controlling interests	(56,942)	(64,516)
Other, net	(118)	–
Net cash provided by (used in) financing activities	(447,928)	(575,213)
Effect of exchange rate change on cash and cash equivalents	(1,274)	(33,570)
Net increase (decrease) in cash and cash equivalents	(458,735)	1,167,854
Cash and cash equivalents at beginning of period	12,434,682	12,744,710
Cash and cash equivalents at end of period	11,975,946	13,912,564