

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 (Based on Japanese GAAP)

August 2, 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 Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: August 9, 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 three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(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, 2019 | 12,903 | 13.3 | 1,690 | 36.3 | 1,765 | 34.1 | 1,142 | 22.6 |
| Three months ended June 30, 2018 | 11,389 | 17.9 | 1,240 | 37.8 | 1,316 | 37.6 | 931 | 51.6 |

| | Earnings per share | Diluted earnings per share |
|----------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2019 | 53.48 | – |
| Three months ended June 30, 2018 | 43.61 | – |

(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, 2019 | 44,167 | 30,167 | 64.4 | 1,331.70 |
| As of March 31, 2019 | 44,918 | 29,331 | 61.3 | 1,289.61 |

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, 2019 | – | 40.00 | – | 50.00 | 90.00 |
| Year ending March 31, 2020 | – | – | – | – | – |
| Year ending March 31, 2020 (Forecast) | – | 25.00 | – | 25.00 | 50.00 |

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 three months ended June 30, 2019
 (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, 2019 | 22,354,000 shares | As of March 31, 2019 | 22,354,000 shares |
|---------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|---------------------|----------------|----------------------|------------------|
| As of June 30, 2019 | 999,674 shares | As of March 31, 2019 | 1,000,440 shares |
|---------------------|----------------|----------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Three months ended June 30, 2019 | 21,354,337 shares | Three months ended June 30, 2018 | 21,353,160 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---------------------------------------------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,944,905 | 17,329,502 |
| Notes and accounts receivable - trade | 11,136,789 | 9,590,395 |
| Electronically recorded monetary claims - operating | 415,167 | 1,057,309 |
| Investments in leases | 765,829 | 790,137 |
| Securities | 17,499 | 17,963 |
| Merchandise | 1,290,049 | 546,106 |
| Work in process | 180,281 | 72,106 |
| Raw materials and supplies | 4,210 | 4,315 |
| Other | 1,104,279 | 1,423,501 |
| Total current assets | 31,859,011 | 30,831,338 |
| Non-current assets | | |
| Property, plant and equipment | 232,612 | 223,547 |
| Intangible assets | | |
| Goodwill | 1,156,480 | 1,101,473 |
| Other | 59,330 | 54,884 |
| Total intangible assets | 1,215,811 | 1,156,357 |
| Investments and other assets | | |
| Investment securities | 10,833,276 | 11,172,706 |
| Other | 778,167 | 783,159 |
| Total investments and other assets | 11,611,443 | 11,955,866 |
| Total non-current assets | 13,059,868 | 13,335,770 |
| Total assets | 44,918,879 | 44,167,108 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 7,497,955 | 5,881,421 |
| Income taxes payable | 1,072,115 | 401,348 |
| Provision for bonuses | 582,599 | 309,403 |
| Provision for bonuses for directors (and other officers) | 110,000 | 22,500 |
| Other | 3,202,769 | 3,981,556 |
| Total current liabilities | 12,465,440 | 10,596,230 |
| Non-current liabilities | | |
| Retirement benefit liability | 2,648,012 | 2,707,670 |
| Provision for share-based remuneration | 151,871 | 166,369 |
| Provision for share-based remuneration for directors (and other officers) | 67,631 | 73,236 |
| Other | 254,342 | 456,165 |
| Total non-current liabilities | 3,121,857 | 3,403,442 |
| Total liabilities | 15,587,298 | 13,999,673 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,873,136 | 1,873,136 |
| Capital surplus | 2,073,167 | 2,073,167 |
| Retained earnings | 21,417,044 | 22,015,173 |
| Treasury shares | (690,902) | (690,322) |
| Total shareholders' equity | 24,672,445 | 25,271,154 |

| | (Thousands of yen) | |
|-------------------------------------------------------|----------------------|---------------------|
| | As of March 31, 2019 | As of June 30, 2019 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,078,205 | 3,339,595 |
| Remeasurements of defined benefit plans | (104,167) | (95,271) |
| Foreign currency translation adjustment | (108,676) | (77,881) |
| Total accumulated other comprehensive income | 2,865,361 | 3,166,442 |
| Share acquisition rights | 208 | 208 |
| Non-controlling interests | 1,793,565 | 1,729,629 |
| Total net assets | 29,331,581 | 30,167,435 |
| Total liabilities and net assets | 44,918,879 | 44,167,108 |

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, 2018 | Three months ended June 30, 2019 |
|---------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Net sales | 11,389,609 | 12,903,324 |
| Cost of sales | 8,591,945 | 9,678,974 |
| Gross profit | 2,797,663 | 3,224,350 |
| Total selling, general and administrative expenses | 1,557,552 | 1,534,287 |
| Operating profit | 1,240,111 | 1,690,062 |
| Non-operating income | | |
| Interest income | 8,035 | 7,228 |
| Dividend income | 60,581 | 63,503 |
| Share of profit of entities accounted for using equity method | – | 14,592 |
| Other | 15,710 | 3,639 |
| Total non-operating income | 84,327 | 88,963 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | 7,222 | – |
| Loss on valuation of derivatives | – | 11,292 |
| Other | 483 | 2,283 |
| Total non-operating expenses | 7,705 | 13,576 |
| Ordinary profit | 1,316,732 | 1,765,448 |
| Profit before income taxes | 1,316,732 | 1,765,448 |
| Income taxes - current | 350,518 | 486,360 |
| Income taxes - deferred | 17,258 | 87,566 |
| Total income taxes | 367,776 | 573,926 |
| Profit | 948,956 | 1,191,522 |
| Profit attributable to non-controlling interests | 17,830 | 49,514 |
| Profit attributable to owners of parent | 931,125 | 1,142,007 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit | 948,956 | 1,191,522 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 307,475 | 261,389 |
| Foreign currency translation adjustment | (37,944) | 35,932 |
| Remeasurements of defined benefit plans, net of tax | 8,788 | 8,896 |
| Share of other comprehensive income of entities accounted for using equity method | (4,519) | 4,186 |
| Total other comprehensive income | 273,800 | 310,406 |
| Comprehensive income | 1,222,756 | 1,501,928 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,215,743 | 1,443,088 |
| Comprehensive income attributable to non-controlling interests | 7,012 | 58,839 |

Consolidated statements of cash flows

(Thousands of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|---------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,316,732 | 1,765,448 |
| Depreciation | 22,074 | 15,385 |
| Amortization of goodwill | 69,697 | 70,171 |
| Loss (gain) on valuation of derivatives | – | 11,292 |
| Increase (decrease) in provision for bonuses | (271,849) | (273,195) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (72,497) | (87,500) |
| Increase (decrease) in retirement benefit liability | 66,831 | 72,481 |
| Increase (decrease) in provision for share-based remuneration | 12,416 | 14,498 |
| Interest and dividend income | (69,606) | (70,731) |
| Share of loss (profit) of entities accounted for using equity method | 7,222 | (14,592) |
| Decrease (increase) in trade receivables | 471,706 | 904,251 |
| Decrease (increase) in investments in leases | (338,709) | (24,308) |
| Decrease (increase) in inventories | 552,820 | 852,012 |
| Decrease (increase) in advance payments - trade | 20,324 | (266,948) |
| Decrease (increase) in other current assets | (59,728) | (51,907) |
| Increase (decrease) in trade payables | (1,233,289) | (1,616,533) |
| Increase (decrease) in advances received | 551,883 | 516,104 |
| Increase (decrease) in accrued consumption taxes | 115,982 | 10,032 |
| Increase (decrease) in other current liabilities | 191,088 | 178,127 |
| Other, net | (1,422) | 2,048 |
| Subtotal | 1,351,678 | 2,006,138 |
| Interest and dividends received | 79,534 | 113,898 |
| Interest paid | (349) | (3) |
| Income taxes paid | (863,396) | (1,093,671) |
| Net cash provided by (used in) operating activities | 567,467 | 1,026,361 |
| Cash flows from investing activities | | |
| Payments into time deposits | (510,435) | (26,937) |
| Proceeds from withdrawal of time deposits | – | 27,752 |
| Purchase of property, plant and equipment | (22,117) | (3,382) |
| Other, net | 6,062 | (100) |
| Net cash provided by (used in) investing activities | (526,490) | (2,668) |
| Cash flows from financing activities | | |
| Dividends paid | (435,262) | (543,961) |
| Dividends paid to non-controlling interests | (18,598) | (122,775) |
| Other, net | – | (82) |
| Net cash provided by (used in) financing activities | (453,860) | (666,819) |
| Effect of exchange rate change on cash and cash equivalents | (26,797) | 14,546 |
| Net increase (decrease) in cash and cash equivalents | (439,680) | 371,420 |
| Cash and cash equivalents at beginning of period | 12,723,527 | 15,676,249 |
| Cash and cash equivalents at end of period | 12,283,846 | 16,047,670 |