

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

January 31, 2020

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
 Inquiries: Managing Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: February 7, 2020
 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, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	35,327	8.2	4,749	29.5	5,022	28.8	3,275	25.8
Nine months ended December 31, 2018	32,643	17.7	3,667	42.9	3,898	41.3	2,603	46.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	153.41	153.41
Nine months ended December 31, 2018	121.93	121.93

(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, 2019	45,978	32,237	66.5	1,431.44
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	–	25.00	–		
Year ending March 31, 2020 (Forecast)				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 nine months ended December 31, 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 December 31, 2019	22,354,000 shares	As of March 31, 2019	22,354,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	998,354 shares	As of March 31, 2019	1,000,440 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, 2019	21,354,934 shares	Nine months ended December 31, 2018	21,353,249 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	16,944,905	18,982,413
Notes and accounts receivable - trade	11,136,789	7,970,114
Electronically recorded monetary claims - operating	415,167	1,067,374
Investments in leases	765,829	880,596
Securities	17,499	1,018,292
Merchandise	1,290,049	640,335
Work in process	180,281	165,842
Raw materials and supplies	4,210	3,232
Other	1,104,279	1,499,008
Total current assets	31,859,011	32,227,210
Non-current assets		
Property, plant and equipment	232,612	220,126
Intangible assets		
Goodwill	1,156,480	967,763
Other	59,330	46,152
Total intangible assets	1,215,811	1,013,916
Investments and other assets		
Investment securities	10,833,276	11,780,494
Other	778,167	736,631
Total investments and other assets	11,611,443	12,517,125
Total non-current assets	13,059,868	13,751,167
Total assets	44,918,879	45,978,378
Liabilities		
Current liabilities		
Accounts payable - trade	7,497,955	6,066,282
Income taxes payable	1,072,115	480,059
Provision for bonuses	582,599	362,601
Provision for bonuses for directors (and other officers)	110,000	67,500
Other	3,202,769	3,001,528
Total current liabilities	12,465,440	9,977,971
Non-current liabilities		
Retirement benefit liability	2,648,012	2,790,435
Provision for share-based remuneration	151,871	176,674
Provision for share-based remuneration for directors (and other officers)	67,631	77,006
Other	254,342	719,201
Total non-current liabilities	3,121,857	3,763,318
Total liabilities	15,587,298	13,741,289

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	1,873,136	1,873,136
Capital surplus	2,073,167	2,117,348
Retained earnings	21,417,044	23,605,269
Treasury shares	(690,902)	(689,412)
Total shareholders' equity	24,672,445	26,906,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,078,205	3,833,216
Remeasurements of defined benefit plans	(104,167)	(77,479)
Foreign currency translation adjustment	(108,676)	(92,763)
Total accumulated other comprehensive income	2,865,361	3,662,973
Share acquisition rights	208	208
Non-controlling interests	1,793,565	1,667,565
Total net assets	29,331,581	32,237,089
Total liabilities and net assets	44,918,879	45,978,378

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, 2018	Nine months ended December 31, 2019
Net sales	32,643,930	35,327,461
Cost of sales	24,317,118	25,971,333
Gross profit	8,326,812	9,356,128
Total selling, general and administrative expenses	4,659,685	4,606,960
Operating profit	3,667,126	4,749,168
Non-operating income		
Interest income	27,374	29,737
Dividend income	123,729	141,546
Gain on sales of securities	3,026	-
Share of profit of entities accounted for using equity method	56,184	59,518
Gain on valuation of derivatives	-	23,458
Other	24,510	21,044
Total non-operating income	234,826	275,305
Non-operating expenses		
Interest expenses	590	-
Loss on investments in investment partnerships	2,399	341
Other	134	2,006
Total non-operating expenses	3,124	2,348
Ordinary profit	3,898,828	5,022,125
Extraordinary losses		
Loss on valuation of golf club membership	550	-
Loss on sales of shares of subsidiaries and associates	4,306	12,925
Total extraordinary losses	4,856	12,925
Profit before income taxes	3,893,972	5,009,199
Income taxes - current	1,107,723	1,414,564
Income taxes - deferred	70,871	152,915
Total income taxes	1,178,595	1,567,479
Profit	2,715,377	3,441,720
Profit attributable to non-controlling interests	111,744	165,738
Profit attributable to owners of parent	2,603,632	3,275,982

(Thousands of yen)

	3rd quarter ended 31, 2018	3rd quarter ended 31, 2019
Net sales	10,626,255	11,176,001
Cost of sales	7,797,681	8,165,911
Gross profit	2,828,573	3,010,089
Total selling, general and administrative expenses	1,516,822	1,566,246
Operating profit	1,311,751	1,443,843
Non-operating income		
Interest income	8,051	10,195
Dividend income	55,818	71,361
Gain on sales of securities	3,026	–
Gain on investments in investment partnerships	–	433
Share of profit of entities accounted for using equity method	9,766	6,804
Gain on valuation of derivatives	–	22,831
Other	449	14,857
Total non-operating income	77,112	126,484
Non-operating expenses		
Interest expenses	13	–
Loss on investments in investment partnerships	1,199	–
Other	–	67
Total non-operating expenses	1,212	67
Ordinary profit	1,387,651	1,570,259
Extraordinary losses		
Loss on valuation of golf club membership	550	–
Loss on sales of shares of subsidiaries and associates	4,306	12,925
Total extraordinary losses	4,856	12,925
Profit before income taxes	1,382,794	1,557,333
Income taxes - current	353,404	444,975
Income taxes - deferred	84,836	45,129
Total income taxes	438,240	490,104
Profit	944,554	1,067,229
Profit attributable to non-controlling interests	29,652	22,546
Profit attributable to owners of parent	914,902	1,044,682

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	2,715,377	3,441,720
Other comprehensive income		
Valuation difference on available-for-sale securities	(756,430)	755,011
Foreign currency translation adjustment	25,585	42,894
Remeasurements of defined benefit plans, net of tax	26,363	26,688
Share of other comprehensive income of entities accounted for using equity method	(9,829)	(14,488)
Total other comprehensive income	(714,309)	810,106
Comprehensive income	2,001,067	4,251,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,882,073	4,077,721
Comprehensive income attributable to non-controlling interests	118,994	174,105

(Thousands of yen)

	3rd quarter endedDecember 31, 2018	3rd quarter endedDecember 31, 2019
Profit	944,554	1,067,229
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,371,168)	563,400
Foreign currency translation adjustment	84,880	14,358
Remeasurements of defined benefit plans, net of tax	8,787	8,895
Share of other comprehensive income of entities accounted for using equity method	24,523	(7,653)
Total other comprehensive income	(1,252,976)	579,000
Comprehensive income	(308,421)	1,646,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(360,005)	1,621,602
Comprehensive income attributable to non-controlling interests	51,583	24,627

Consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,893,972	5,009,199
Depreciation	66,200	48,026
Amortization of goodwill	208,619	210,515
Increase (decrease) in provision for bonuses	(278,916)	(219,998)
Increase (decrease) in provision for bonuses for directors (and other officers)	(22,500)	(42,500)
Increase (decrease) in retirement benefit liability	140,351	180,889
Loss (gain) on sales of shares of subsidiaries and associates	–	12,925
Increase (decrease) in provision for share-based remuneration	46,820	24,802
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	18,332	9,375
Interest and dividend income	(151,103)	(171,284)
Share of loss (profit) of entities accounted for using equity method	(56,184)	(59,518)
Decrease (increase) in trade receivables	(943,573)	2,514,467
Decrease (increase) in investments in leases	(673,444)	(114,767)
Decrease (increase) in inventories	(394,265)	665,130
Decrease (increase) in advance payments - trade	(44,741)	(323,684)
Decrease (increase) in other current assets	(43,647)	(71,046)
Increase (decrease) in trade payables	1,167,504	(1,431,673)
Increase (decrease) in advances received	466,155	124,419
Increase (decrease) in accrued consumption taxes	51,657	(73,318)
Increase (decrease) in other current liabilities	(225,130)	(382,447)
Increase (decrease) in provision for loss on order received	43,045	–
Other, net	(4,326)	(5,698)
Subtotal	3,264,824	5,903,816
Interest and dividends received	171,796	276,640
Interest paid	(590)	–
Income taxes paid	(1,488,813)	(1,868,198)
Net cash provided by (used in) operating activities	1,947,217	4,312,258
Cash flows from investing activities		
Payments into time deposits	(1,557,127)	(1,288,137)
Proceeds from withdrawal of time deposits	980,000	1,077,752
Purchase of property, plant and equipment	(35,076)	(23,845)
Purchase of intangible assets	(10,408)	(554)
Purchase of investment securities	(1,206,636)	(1,010,476)
Proceeds from sales of investment securities	20,121	–
Proceeds from redemption of securities	1,200,000	–
Proceeds from sales of shares of subsidiaries and associates	30,000	76,000
Other, net	8,055	(4,356)
Net cash provided by (used in) investing activities	(571,071)	(1,173,617)

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from financing activities		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(134,190)
Repayments of short-term borrowings	(75,000)	–
Dividends paid	(870,912)	(1,088,734)
Dividends paid to non-controlling interests	(64,516)	(125,862)
Other, net	–	(331)
Net cash provided by (used in) financing activities	(1,010,429)	(1,349,118)
Effect of exchange rate change on cash and cash equivalents	(1,089)	11,327
Net increase (decrease) in cash and cash equivalents	364,627	1,800,850
Cash and cash equivalents at beginning of period	12,723,527	15,676,249
Cash and cash equivalents at end of period	13,088,155	17,477,100