

Translation

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

November 1, 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
 Inquiries: Managing Director, Administration Control Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date to file Quarterly Securities Report: November 8, 2019
 Scheduled date to commence dividend payments: December 6, 2019
 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, 2019 (from April 1, 2019 to September 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	%
Six months ended September 30, 2019	24,151	9.7	3,305	40.3	3,451	37.5	2,231	32.1
Six months ended September 30, 2018	22,017	16.0	2,355	30.2	2,511	30.7	1,688	37.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	104.49		104.49	
Six months ended September 30, 2018	79.09		79.08	

(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, 2019	43,667	31,269	67.4	1,379.10
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				
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 six months ended September 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 September 30, 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 September 30, 2019	998,274 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)

Six months ended September 30, 2019	21,354,565 shares	Six months ended September 30, 2018	21,353,160 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	16,944,905	18,010,910
Notes and accounts receivable - trade	11,136,789	8,743,065
Electronically recorded monetary claims - operating	415,167	1,008,588
Investments in leases	765,829	719,624
Securities	17,499	18,073
Merchandise	1,290,049	697,123
Work in process	180,281	116,769
Raw materials and supplies	4,210	2,842
Other	1,104,279	725,971
Total current assets	31,859,011	30,042,967
Non-current assets		
Property, plant and equipment	232,612	229,030
Intangible assets		
Goodwill	1,156,480	1,033,038
Other	59,330	50,392
Total intangible assets	1,215,811	1,083,431
Investments and other assets		
Investment securities	10,833,276	11,537,062
Other	778,167	775,349
Total investments and other assets	11,611,443	12,312,412
Total non-current assets	13,059,868	13,624,873
Total assets	44,918,879	43,667,841
Liabilities		
Current liabilities		
Accounts payable - trade	7,497,955	4,638,394
Income taxes payable	1,072,115	866,855
Provision for bonuses	582,599	573,511
Provision for bonuses for directors (and other officers)	110,000	45,000
Other	3,202,769	2,827,936
Total current liabilities	12,465,440	8,951,698
Non-current liabilities		
Retirement benefit liability	2,648,012	2,742,162
Provision for share-based remuneration	151,871	179,257
Provision for share-based remuneration for directors (and other officers)	67,631	78,842
Other	254,342	446,705
Total non-current liabilities	3,121,857	3,446,967
Total liabilities	15,587,298	12,398,665

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
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	23,104,465
Treasury shares	(690,902)	(689,163)
Total shareholders' equity	24,672,445	26,361,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,078,205	3,269,816
Remeasurements of defined benefit plans	(104,167)	(86,375)
Foreign currency translation adjustment	(108,676)	(93,260)
Total accumulated other comprehensive income	2,865,361	3,090,180
Share acquisition rights	208	208
Non-controlling interests	1,793,565	1,817,181
Total net assets	29,331,581	31,269,175
Total liabilities and net assets	44,918,879	43,667,841

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, 2018	Six months ended September 30, 2019
Net sales	22,017,675	24,151,460
Cost of sales	16,519,437	17,805,421
Gross profit	5,498,238	6,346,038
Selling, general and administrative expenses	3,142,863	3,040,713
Operating profit	2,355,374	3,305,325
Non-operating income		
Interest income	19,322	19,541
Dividend income	67,911	70,185
Share of profit of entities accounted for using equity method	46,418	52,713
Other	24,061	6,813
Total non-operating income	157,714	149,254
Non-operating expenses		
Interest expenses	576	–
Loss on investments in investment partnerships	1,200	775
Other	134	1,938
Total non-operating expenses	1,911	2,714
Ordinary profit	2,511,177	3,451,865
Profit before income taxes	2,511,177	3,451,865
Income taxes - current	754,319	969,589
Income taxes - deferred	(13,964)	107,785
Total income taxes	740,354	1,077,374
Profit	1,770,822	2,374,491
Profit attributable to non-controlling interests	82,092	143,191
Profit attributable to owners of parent	1,688,730	2,231,299

(Thousands of yen)

	2nd quarter ended September 30, 2018	2nd quarter ended September 30, 2019
Net sales	10,628,066	11,248,136
Cost of sales	7,927,491	8,126,447
Gross profit	2,700,574	3,121,688
Selling, general and administrative expenses	1,585,311	1,506,425
Operating profit	1,115,263	1,615,263
Non-operating income		
Interest income	10,298	12,313
Dividend income	7,329	6,682
Share of profit of entities accounted for using equity method	53,640	38,121
Gain on valuation of derivatives	–	11,919
Other	10,054	2,547
Total non-operating income	81,322	71,584
Non-operating expenses		
Interest expenses	227	–
Loss on investments in investment partnerships	1,914	377
Other	–	52
Total non-operating expenses	2,141	430
Ordinary profit	1,194,444	1,686,416
Profit before income taxes	1,194,444	1,686,416
Income taxes - current	403,801	483,229
Income taxes - deferred	(31,223)	20,218
Total income taxes	372,577	503,447
Profit	821,866	1,182,969
Profit attributable to non-controlling interests	64,261	93,677
Profit attributable to owners of parent	757,604	1,089,292

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	1,770,822	2,374,491
Other comprehensive income		
Valuation difference on available-for-sale securities	614,737	191,611
Foreign currency translation adjustment	(59,294)	28,535
Remeasurements of defined benefit plans, net of tax	17,576	17,792
Share of other comprehensive income of entities accounted for using equity method	(34,352)	(6,834)
Total other comprehensive income	538,666	231,105
Comprehensive income	2,309,489	2,605,596
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,242,078	2,456,119
Comprehensive income attributable to non-controlling interests	67,410	149,477

(Thousands of yen)

	2nd quarter endedSeptember 30, 2018	2nd quarter endedSeptember 30, 2019
Profit	821,866	1,182,969
Other comprehensive income		
Valuation difference on available-for-sale securities	307,262	(69,778)
Foreign currency translation adjustment	(21,350)	(7,397)
Remeasurements of defined benefit plans, net of tax	8,787	8,895
Share of other comprehensive income of entities accounted for using equity method	(29,833)	(11,021)
Total other comprehensive income	264,866	(79,300)
Comprehensive income	1,086,733	1,103,668
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,026,335	1,013,030
Comprehensive income attributable to non-controlling interests	60,397	90,638

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	2,511,177	3,451,865
Depreciation	43,984	31,433
Amortization of goodwill	139,237	140,343
Increase (decrease) in provision for bonuses	1,819	(9,088)
Increase (decrease) in provision for bonuses for directors (and other officers)	(45,000)	(65,000)
Increase (decrease) in retirement benefit liability	115,713	119,795
Increase (decrease) in provision for share-based remuneration	31,306	27,385
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	12,408	11,211
Interest and dividend income	(87,234)	(89,726)
Share of loss (profit) of entities accounted for using equity method	(46,418)	(52,713)
Decrease (increase) in trade receivables	157,923	1,800,302
Decrease (increase) in investments in leases	(731,167)	46,205
Decrease (increase) in inventories	(34,242)	657,806
Decrease (increase) in advance payments - trade	140,679	410,618
Decrease (increase) in other current assets	36,187	(32,219)
Increase (decrease) in trade payables	267,972	(2,859,560)
Increase (decrease) in advances received	376,750	172,026
Increase (decrease) in accrued consumption taxes	30,222	(73,138)
Increase (decrease) in other current liabilities	(323,082)	(544,339)
Increase (decrease) in provision for loss on order received	95,268	–
Other, net	(5,815)	15,208
Subtotal	2,687,693	3,158,413
Interest and dividends received	109,685	194,991
Interest paid	(576)	–
Income taxes paid	(899,011)	(1,109,191)
Net cash provided by (used in) operating activities	1,897,790	2,244,213
Cash flows from investing activities		
Payments into time deposits	(1,557,795)	(1,146,937)
Proceeds from withdrawal of time deposits	980,000	1,007,752
Purchase of property, plant and equipment	(30,919)	(20,390)
Purchase of investment securities	(1,204,636)	(500,543)
Proceeds from redemption of investment securities	1,200,000	–
Other, net	1,704	(5,034)
Net cash provided by (used in) investing activities	(611,647)	(665,154)
Cash flows from financing activities		
Repayments of short-term borrowings	(75,000)	–
Dividends paid	(435,697)	(544,335)
Dividends paid to non-controlling interests	(64,516)	(125,862)
Other, net	–	(82)
Net cash provided by (used in) financing activities	(575,213)	(670,279)
Effect of exchange rate change on cash and cash equivalents	(23,630)	4,692
Net increase (decrease) in cash and cash equivalents	687,298	913,471
Cash and cash equivalents at beginning of period	12,723,527	15,676,249
Cash and cash equivalents at end of period	13,410,826	16,589,720