

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 13, 2022

Company name: ARGO GRAPHICS Inc.
 Stock exchange listing: Tokyo
 Stock code: 7595 URL <https://corp.argo-graph.co.jp>
 Representative: Chairman and CEO Yoshimaro Fujisawa
 Managing Director, Administration Control
 Inquiries: Division Kunio Hasebe TEL 03-5641-2018
 Scheduled date of ordinary general meeting of shareholders: June 23, 2022
 Scheduled date to file Securities Report: June 24, 2022
 Scheduled date to commence dividend payments: June 24, 2022
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

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	%
Year ended March 31, 2022	46,188	6.4	6,601	17.1	6,944	15.8	4,517	14.0
Year ended March 31, 2021	43,416	(9.9)	5,639	(10.0)	5,997	(8.6)	3,961	(6.0)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2022	211.36	211.36	12.5	12.5	14.3
Year ended March 31, 2021	185.50	185.49	13.3	11.8	12.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	58,830	39,859	64.3	1,769.01
As of March 31, 2021	52,585	36,529	66.0	1,624.49

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2022	5,959	(538)	(1,366)	25,155
Year ended March 31, 2021	2,591	(258)	(1,444)	21,064

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2021	–	30.00	–	30.00	60.00	1,305	32.3	3.5
Year ended March 31, 2022	–	30.00	–	33.00	63.00	1,370	29.8	3.7
Year ending March 31, 2023 (Forecast)	–	33.00	–	33.00	66.00		30.3	

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	48,700	5.4	6,800	3.0	7,120	2.5	4,660	3.2	218.02

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	22,354,000 shares	As of March 31, 2021	22,354,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	983,013 shares	As of March 31, 2021	996,754 shares
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Average number of shares during the period

Year ended March 31, 2022	21,374,509 shares	Year ended March 31, 2021	21,356,179 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	22,149,490	26,210,266
Notes and accounts receivable - trade, and contract assets	11,033,718	12,641,890
Electronically recorded monetary claims - operating	721,025	884,442
Investments in leases	426,885	162,726
Securities	500,000	–
Merchandise	736,103	1,141,106
Work in process	59,884	144,758
Raw materials and supplies	2,887	2,803
Other	2,053,015	2,076,605
Total current assets	37,683,010	43,264,598
Non-current assets		
Property, plant and equipment		
Buildings	141,473	139,884
Accumulated depreciation	(61,752)	(71,340)
Buildings, net	79,721	68,544
Land	3,926	3,926
Other	580,030	605,240
Accumulated depreciation	(455,645)	(465,038)
Other, net	124,384	140,201
Total property, plant and equipment	208,033	212,672
Intangible assets		
Goodwill	603,952	468,291
Other	35,601	22,894
Total intangible assets	639,554	491,186
Investments and other assets		
Investment securities	13,233,331	13,915,100
Deferred tax assets	174,704	344,082
Other	646,482	602,586
Total investments and other assets	14,054,518	14,861,769
Total non-current assets	14,902,105	15,565,628
Total assets	52,585,115	58,830,227

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	7,247,578	8,931,924
Income taxes payable	1,024,407	1,365,031
Provision for bonuses	578,005	633,777
Provision for bonuses for directors (and other officers)	90,000	120,000
Advances received	1,866,539	2,809,539
Other	1,119,657	1,090,271
Total current liabilities	11,926,188	14,950,543
Non-current liabilities		
Retirement benefit liability	2,987,839	2,999,747
Provision for share awards	224,669	251,972
Provision for share awards for directors (and other officers)	83,218	87,252
Deferred tax liabilities	707,066	561,774
Other	127,042	119,676
Total non-current liabilities	4,129,836	4,020,423
Total liabilities	16,056,025	18,970,966
Net assets		
Shareholders' equity		
Share capital	1,873,136	1,873,136
Capital surplus	2,117,656	2,132,078
Retained earnings	27,090,922	30,218,406
Treasury shares	(688,143)	(699,739)
Total shareholders' equity	30,393,571	33,523,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,488,856	4,320,414
Remeasurements of defined benefit plans	(39,385)	68,610
Foreign currency translation adjustment	(148,398)	(107,329)
Total accumulated other comprehensive income	4,301,073	4,281,695
Share acquisition rights	147	111
Non-controlling interests	1,834,298	2,053,571
Total net assets	36,529,090	39,859,260
Total liabilities and net assets	52,585,115	58,830,227

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	43,416,334	46,188,285
Cost of sales	31,581,137	33,509,302
Gross profit	11,835,196	12,678,982
Selling, general and administrative expenses	6,196,031	6,077,542
Operating profit	5,639,164	6,601,440
Non-operating income		
Interest income	37,891	33,727
Dividend income	174,681	198,849
Share of profit of entities accounted for using equity method	62,472	33,273
Foreign exchange gains	17,228	42,879
Gain on valuation of derivatives	23,120	–
Other	44,708	46,794
Total non-operating income	360,103	355,524
Non-operating expenses		
Loss on cancellation of derivatives	–	8,715
Other	1,401	3,560
Total non-operating expenses	1,401	12,275
Ordinary profit	5,997,867	6,944,689
Extraordinary losses		
Loss on sale of investment securities	–	15,366
Loss on valuation of investment securities	72,888	–
Total extraordinary losses	72,888	15,366
Profit before income taxes	5,924,979	6,929,323
Income taxes - current	1,836,566	2,485,595
Income taxes - deferred	(21,068)	(298,715)
Total income taxes	1,815,497	2,186,880
Profit	4,109,481	4,742,442
Profit attributable to non-controlling interests	147,993	224,707
Profit attributable to owners of parent	3,961,488	4,517,735

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	4,109,481	4,742,442
Other comprehensive income		
Valuation difference on available-for-sale securities	1,629,514	(168,442)
Foreign currency translation adjustment	(103,387)	46,737
Remeasurements of defined benefit plans, net of tax	29,239	107,996
Share of other comprehensive income of entities accounted for using equity method	(23,562)	6,828
Total other comprehensive income	1,531,803	(6,879)
Comprehensive income	5,641,285	4,735,563
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,516,417	4,498,663
Comprehensive income attributable to non-controlling interests	124,867	236,899

Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,873,136	2,117,347	24,543,512	(689,412)	27,844,583
Changes during period					
Dividends of surplus			(1,414,077)		(1,414,077)
Profit attributable to owners of parent			3,961,488		3,961,488
Purchase of treasury shares				(55)	(55)
Transfer of treasury shares by Employee Stock Ownership Plan				1,324	1,324
Change in ownership interest of parent due to transactions with non-controlling interests		308			308
Net changes in items other than shareholders' equity					
Total changes during period	–	308	2,547,410	1,269	2,548,987
Balance at end of period	1,873,136	2,117,656	27,090,922	(688,143)	30,393,571

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	2,859,342	(68,625)	(41,588)	2,749,129	208	1,735,440	32,329,362
Changes during period							
Dividends of surplus							(1,414,077)
Profit attributable to owners of parent							3,961,488
Purchase of treasury shares							(55)
Transfer of treasury shares by Employee Stock Ownership Plan							1,324
Change in ownership interest of parent due to transactions with non-controlling interests							308
Net changes in items other than shareholders' equity	1,629,514	29,239	(106,810)	1,551,943	(61)	98,857	1,650,740
Total changes during period	1,629,514	29,239	(106,810)	1,551,943	(61)	98,857	4,199,728
Balance at end of period	4,488,856	(39,385)	(148,398)	4,301,073	147	1,834,298	36,529,090

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,873,136	2,117,656	27,090,922	(688,143)	30,393,571
Cumulative effects of changes in accounting policies			32,329		32,329
Restated balance	1,873,136	2,117,656	27,123,251	(688,143)	30,425,900
Changes during period					
Dividends of surplus			(1,305,300)		(1,305,300)
Profit attributable to owners of parent			4,517,735		4,517,735
Purchase of treasury shares				(285)	(285)
Purchase of treasury shares by Employee Stock Ownership Plan				(31,066)	(31,066)
Transfer of treasury shares by Employee Stock Ownership Plan				19,755	19,755
Change in ownership interest of parent due to transactions with non-controlling interests		14,422			14,422
Change in retained earnings from decreasing in equity in entities accounted for using equity method			(117,279)		(117,279)
Net changes in items other than shareholders' equity					
Total changes during period		14,422	3,095,155	(11,596)	3,097,981
Balance at end of period	1,873,136	2,132,078	30,218,406	(699,739)	33,523,882

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,488,856	(39,385)	(148,398)	4,301,073	147	1,834,298	36,529,090
Cumulative effects of changes in accounting policies							32,329
Restated balance	4,488,856	(39,385)	(148,398)	4,301,073	147	1,834,298	36,561,419
Changes during period							
Dividends of surplus							(1,305,300)
Profit attributable to owners of parent							4,517,735
Purchase of treasury shares							(285)
Purchase of treasury shares by Employee Stock Ownership Plan							(31,066)
Transfer of treasury shares by Employee Stock Ownership Plan							19,755
Change in ownership interest of parent due to transactions with non-controlling interests							14,422
Change in retained earnings from decreasing in equity in entities accounted for using equity method							(117,279)
Net changes in items other than shareholders' equity	(168,442)	107,996	41,068	(19,377)	(36)	219,273	199,859
Total changes during period	(168,442)	107,996	41,068	(19,377)	(36)	219,273	3,297,841
Balance at end of period	4,320,414	68,610	(107,329)	4,281,695	111	2,053,571	39,859,260

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,924,979	6,929,323
Depreciation	64,252	54,205
Amortization of goodwill	278,475	134,713
Loss (gain) on valuation of derivatives	(23,120)	–
Loss (gain) on valuation of investment securities	72,888	–
Increase (decrease) in provision for bonuses	(28,256)	55,771
Increase (decrease) in provision for bonuses for directors (and other officers)	(20,000)	30,000
Increase (decrease) in retirement benefit liability	191,104	167,566
Increase (decrease) in provision for share awards	10,879	27,302
Increase (decrease) in provision for share awards for directors (and other officers)	869	4,034
Interest and dividend income	(212,572)	(232,577)
Share of loss (profit) of entities accounted for using equity method	(62,472)	(33,273)
Decrease (increase) in trade receivables	(1,579,047)	(1,771,588)
Decrease (increase) in investments in leases	332,212	264,158
Decrease (increase) in inventories	308,264	(489,793)
Decrease (increase) in advance payments to suppliers	(371,396)	(42,414)
Decrease (increase) in other current assets	(11,666)	62,930
Increase (decrease) in trade payables	(134,896)	1,684,346
Increase (decrease) in advances received	(95,795)	942,999
Increase (decrease) in accrued consumption taxes	37,059	(119,629)
Increase (decrease) in other current liabilities	(102,284)	177,490
Other, net	(64,607)	69,986
Subtotal	4,514,867	7,915,553
Interest and dividends received	221,662	247,802
Income taxes paid	(2,144,620)	(2,204,347)
Net cash provided by (used in) operating activities	2,591,909	5,959,007
Cash flows from investing activities		
Payments into time deposits	(511,652)	(1,907,987)
Proceeds from withdrawal of time deposits	798,037	1,907,680
Payments of guarantee deposits	(977)	(30,079)
Proceeds from refund of guarantee deposits	1,585	76,559
Purchase of property, plant and equipment	(37,195)	(50,674)
Purchase of intangible assets	(5,987)	(2,190)
Purchase of investment securities	(506,428)	(1,417,639)
Proceeds from sale of investment securities	–	85,664
Proceeds from redemption of investment securities	–	800,000
Other, net	3,989	–
Net cash provided by (used in) investing activities	(258,628)	(538,666)
Cash flows from financing activities		
Dividends paid	(1,414,077)	(1,305,300)
Dividends paid to non-controlling interests	(30,432)	(29,618)
Other, net	(147)	(31,259)
Net cash provided by (used in) financing activities	(1,444,658)	(1,366,179)

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Effect of exchange rate change on cash and cash equivalents	(72,743)	36,800
Net increase (decrease) in cash and cash equivalents	815,878	4,090,961
Cash and cash equivalents at beginning of period	20,248,505	21,064,384
Cash and cash equivalents at end of period	21,064,384	25,155,346