

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

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
 Inquiries: Senior Managing Director Kunio Hasebe TEL 03-5641-2018
 Scheduled date of ordinary general meeting of shareholders: June 22, 2023
 Scheduled date to file Securities Report: June 23, 2023
 Scheduled date to commence dividend payments: June 23, 2023
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	53,347	15.5	7,774	17.8	8,200	18.1	5,420	20.0
Year ended March 31, 2022	46,188	6.4	6,601	17.1	6,944	15.8	4,517	14.0

	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, 2023	254.08	254.07	13.6	13.2	14.6
Year ended March 31, 2022	211.36	211.36	12.5	12.5	14.3

(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, 2023	65,502	43,941	63.8	1,961.49
As of March 31, 2022	58,830	39,859	64.3	1,769.01

(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, 2023	3,365	(1,949)	(1,846)	24,905
Year ended March 31, 2022	5,959	(538)	(1,366)	25,155

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, 2022	—	30.00	—	33.00	63.00	1,370	29.8	3.7
Year ended March 31, 2023	—	33.00	—	40.00	73.00	1,588	28.7	3.9
Year ending March 31, 2024 (Forecast)	—	40.00	—	40.00	80.00		30.9	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	55,200	3.5	7,870	1.2	8,280	1.0	5,520	1.8	258.72

4. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2023
(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: No
- 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, 2023	22,354,000 shares	As of March 31, 2022	22,354,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,035,061 shares	As of March 31, 2022	983,013 shares
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Average number of shares during the period

Year ended March 31, 2023	21,335,155 shares	Year ended March 31, 2022	21,374,509 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	26,210,266	26,887,318
Notes and accounts receivable - trade, and contract assets	12,641,890	17,352,307
Electronically recorded monetary claims - operating	884,442	1,014,978
Investments in leases	162,726	44,883
Securities	–	1,200,000
Merchandise	1,141,106	1,954,789
Work in process	144,758	63,169
Raw materials and supplies	2,803	1,968
Other	2,076,605	1,883,504
Total current assets	43,264,598	50,402,919
Non-current assets		
Property, plant and equipment		
Buildings	139,884	148,303
Accumulated depreciation	(71,340)	(54,197)
Buildings, net	68,544	94,105
Land	3,926	126,081
Other	605,240	602,820
Accumulated depreciation	(465,038)	(426,954)
Other, net	140,201	175,865
Total property, plant and equipment	212,672	396,053
Intangible assets		
Goodwill	468,291	448,841
Other	22,894	44,948
Total intangible assets	491,186	493,790
Investments and other assets		
Investment securities	13,915,100	13,261,760
Deferred tax assets	344,082	318,789
Other	602,586	628,940
Total investments and other assets	14,861,769	14,209,491
Total non-current assets	15,565,628	15,099,335
Total assets	58,830,227	65,502,254

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	8,931,924	10,995,113
Income taxes payable	1,365,031	1,379,401
Provision for bonuses	633,777	656,554
Provision for bonuses for directors (and other officers)	120,000	140,000
Advances received	2,809,539	3,030,379
Other	1,090,271	1,279,842
Total current liabilities	14,950,543	17,481,292
Non-current liabilities		
Retirement benefit liability	2,999,747	3,006,958
Provision for share awards	251,972	320,377
Provision for share awards for directors (and other officers)	87,252	98,895
Deferred tax liabilities	561,774	533,211
Other	119,676	119,676
Total non-current liabilities	4,020,423	4,079,118
Total liabilities	18,970,966	21,560,410
Net assets		
Shareholders' equity		
Share capital	1,873,136	1,873,136
Capital surplus	2,132,078	2,136,715
Retained earnings	30,218,406	34,203,323
Treasury shares	(699,739)	(925,501)
Total shareholders' equity	33,523,882	37,287,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,320,414	4,322,108
Remeasurements of defined benefit plans	68,610	139,335
Foreign currency translation adjustment	(107,329)	67,760
Total accumulated other comprehensive income	4,281,695	4,529,204
Share acquisition rights	111	–
Non-controlling interests	2,053,571	2,124,965
Total net assets	39,859,260	43,941,843
Total liabilities and net assets	58,830,227	65,502,254

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

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	46,188,285	53,347,984
Cost of sales	33,509,302	39,182,880
Gross profit	12,678,982	14,165,104
Selling, general and administrative expenses	6,077,542	6,390,604
Operating profit	6,601,440	7,774,499
Non-operating income		
Interest income	33,727	46,392
Dividend income	198,849	252,336
Share of profit of entities accounted for using equity method	33,273	50,144
Foreign exchange gains	42,879	28,220
Other	46,794	49,163
Total non-operating income	355,524	426,258
Non-operating expenses		
Loss on cancellation of derivatives	8,715	–
Other	3,560	–
Total non-operating expenses	12,275	–
Ordinary profit	6,944,689	8,200,757
Extraordinary income		
Gain on sale of investment securities	–	26,950
Subsidy income	–	81,435
Total extraordinary income	–	108,385
Extraordinary losses		
Loss on sale of investment securities	15,366	–
Loss on valuation of investment securities	–	97,792
Loss on tax purpose reduction entry of non-current assets	–	81,435
Total extraordinary losses	15,366	179,227
Profit before income taxes	6,929,323	8,129,915
Income taxes - current	2,485,595	2,599,270
Income taxes - deferred	(298,715)	(67,399)
Total income taxes	2,186,880	2,531,870
Profit	4,742,442	5,598,045
Profit attributable to non-controlling interests	224,707	177,299
Profit attributable to owners of parent	4,517,735	5,420,745

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	4,742,442	5,598,045
Other comprehensive income		
Valuation difference on available-for-sale securities	(168,442)	1,693
Remeasurements of defined benefit plans, net of tax	107,996	70,724
Foreign currency translation adjustment	46,737	224,520
Share of other comprehensive income of entities accounted for using equity method	6,828	11,535
Total other comprehensive income	(6,879)	308,474
Comprehensive income	4,735,563	5,906,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,498,663	5,671,271
Comprehensive income attributable to non-controlling interests	236,899	235,248

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,873,136	2,132,078	30,218,406	(699,739)	33,523,882
Changes during period					
Dividends of surplus			(1,435,829)		(1,435,829)
Profit attributable to owners of parent			5,420,745		5,420,745
Purchase of treasury shares				(188)	(188)
Purchase of treasury shares by Employee Stock Ownership Plan				(239,459)	(239,459)
Transfer of treasury shares by Employee Stock Ownership Plan				13,886	13,886
Change in ownership interest of parent due to transactions with non-controlling interests		4,636			4,636
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	–	4,636	3,984,916	(225,761)	3,763,791
Balance at end of period	1,873,136	2,136,715	34,203,323	(925,501)	37,287,673

	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	4,320,414	68,610	(107,329)	4,281,695	111	2,053,571	39,859,260
Changes during period							
Dividends of surplus							(1,435,829)
Profit attributable to owners of parent							5,420,745
Purchase of treasury shares							(188)
Purchase of treasury shares by Employee Stock Ownership Plan							(239,459)
Transfer of treasury shares by Employee Stock Ownership Plan							13,886
Change in ownership interest of parent due to transactions with non-controlling interests							4,636
Net changes in items other than shareholders' equity	1,693	70,724	175,090	247,508	(111)	71,394	318,791
Total changes during period	1,693	70,724	175,090	247,508	(111)	71,394	4,082,583
Balance at end of period	4,322,108	139,335	67,760	4,529,204	–	2,124,965	43,941,843

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,929,323	8,129,915
Depreciation	54,205	58,926
Amortization of goodwill	134,713	149,326
Increase (decrease) in provision for bonuses	55,771	20,277
Increase (decrease) in provision for bonuses for directors (and other officers)	30,000	20,000
Increase (decrease) in retirement benefit liability	167,566	106,234
Increase (decrease) in provision for share awards	27,302	68,404
Increase (decrease) in provision for share awards for directors (and other officers)	4,034	11,642
Interest and dividend income	(232,577)	(298,729)
Share of loss (profit) of entities accounted for using equity method	(33,273)	(50,144)
Decrease (increase) in trade receivables	(1,771,588)	(4,828,416)
Decrease (increase) in investments in leases	264,158	117,843
Decrease (increase) in inventories	(489,793)	(731,258)
Decrease (increase) in advance payments to suppliers	(42,414)	310,412
Decrease (increase) in other current assets	62,930	(63,016)
Increase (decrease) in trade payables	1,684,346	2,041,368
Increase (decrease) in advances received	942,999	220,840
Increase (decrease) in accrued consumption taxes	(119,629)	76,088
Increase (decrease) in other current liabilities	177,490	106,521
Loss (gain) on valuation of investment securities	–	97,792
Loss (gain) on sale of investment securities	–	(26,950)
Loss on tax purpose reduction entry of non-current assets	–	81,435
Subsidy income	–	(81,435)
Other, net	69,986	24,365
Subtotal	7,915,553	5,561,444
Interest and dividends received	247,802	306,005
Subsidy received	–	81,435
Income taxes paid	(2,204,347)	(2,583,556)
Net cash provided by (used in) operating activities	5,959,007	3,365,328
Cash flows from investing activities		
Payments into time deposits	(1,907,987)	(1,940,032)
Proceeds from withdrawal of time deposits	1,907,680	1,024,140
Payments of guarantee deposits	(30,079)	(81,265)
Proceeds from refund of guarantee deposits	76,559	32,538
Purchase of property, plant and equipment	(50,674)	(315,650)
Purchase of intangible assets	(2,190)	(33,287)
Purchase of investment securities	(1,417,639)	(1,589,017)
Proceeds from sale of investment securities	85,664	41,551
Proceeds from redemption of investment securities	800,000	1,000,000
Purchase of shares of subsidiaries	–	(88,472)
Net cash provided by (used in) investing activities	(538,666)	(1,949,496)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Dividends paid	(1,305,300)	(1,435,829)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(90,180)
Dividends paid to non-controlling interests	(29,618)	(74,682)
Purchase of treasury shares	(31,259)	(245,385)
Net cash provided by (used in) financing activities	(1,366,179)	(1,846,076)
Effect of exchange rate change on cash and cash equivalents	36,800	180,013
Net increase (decrease) in cash and cash equivalents	4,090,961	(250,230)
Cash and cash equivalents at beginning of period	21,064,384	25,155,346
Cash and cash equivalents at end of period	25,155,346	24,905,115