

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of **June 30, 2016, and December 31, 2015**

(in thousand Yen)

	December 31, 2015	June 30, 2016
(Assets)		
Current assets		
Cash and bank deposits	1,617,385	1,715,508
Notes and accounts receivable	760,250	778,364
Inventories	146,531	85,985
Other current assets	170,650	154,095
Allowance for doubtful accounts	(2,563)	(1,485)
Total current assets	2,692,253	2,732,468
Non current assets		
Tangible fixed assets	247,818	232,042
Intangible fixed assets	105,054	86,607
Investments		
Investments securities	123,164	123,854
Net investments in real estates	421,683	416,780
Insurance funds	413,472	425,600
Other investments	160,628	160,427
Allowance for doubtful accounts	(22,778)	(18,555)
Total investments	1,096,170	1,108,107
Total non current assets	1,449,043	1,426,757
Total assets	4,141,297	4,159,226

	December 31, 2015	June 30, 2016
(Liabilities)		
Current liabilities		
Accounts payable	83,725	99,931
Income taxes payable	59,647	100,261
Advances from customers	714,316	691,867
Other current liabilities	226,345	152,036
Total current liabilities	1,084,035	1,044,097
Non current liabilities		
Accrued pension and severance costs for officers	123,751	129,214
Net defined benefit liability	651,289	697,876
Other non current liabilities	111,285	123,656
Total non current liabilities	886,326	950,746
Total liabilities	1,970,362	1,994,844
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	1,472,260	1,511,568
Treasury stock	(43)	(43)
Total shareholders' equity	2,097,217	2,136,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	843	(685)
Foreign currency translation adjustments	26,610	(11,760)
Total accumulated other comprehensive income	27,453	(12,445)
Non-controlling interests	46,263	40,302
Total net assets	2,170,934	2,164,381
Total liabilities and net assets	4,141,297	4,159,226

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2016

(in thousand Yen)

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Sales	2,347,135	2,179,647
Costs of goods sold	925,516	864,639
Gross profit	1,421,619	1,315,008
Selling, general and administrative expenses	1,137,226	1,089,543
Operating income	284,392	225,464
Other income		
Interest received	712	592
Dividends income	2,030	2,017
Rent income	40,967	43,774
Reversal of allowance for doubtful accounts	—	5,300
Other	7,026	2,214
Total other income	50,737	53,900
Other expenses		
Interest expense	200	216
Maintenance of investment properties	37,705	35,394
Other	6,427	2,715
Total other expenses	44,332	38,327
Ordinary income	290,796	241,037
Net income before income taxes and minority interests	290,796	241,037
Income tax expense - current	56,481	81,050
Income tax expense - deferred	4,909	1,548
Total income tax expense	61,390	82,598
Net income	229,406	158,438
Profit attributable to non-controlling interests	27,811	21,115
Profit attributable to owners of parent	201,594	137,323

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Net income	229,406	158,438
Other comprehensive income		
Valuation difference on available-for-sale securities	9,766	(1,529)
Foreign currency translation adjustment	1,283	(45,685)
Total other comprehensive income	11,049	(47,214)
Total comprehensive income	240,455	111,223
Total comprehensive income attributable to:		
Owners of the parent	212,181	97,423
Non-controlling interests	28,273	13,799

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2016

(in thousand Yen)

	For the six months ended 2015	For the six months ended 2016
Cash flows from operating activities		
Income before income taxes and minority interests	290,796	241,037
Depreciation	31,201	60,332
Increase and decrease in allowance for doubtful account	1,331	(5,300)
Increase and decrease in accrued pension and severance costs for officers	5,462	5,462
Increase and decrease in net defined benefit liability	34,512	46,771
Interests and dividend income	(2,742)	(2,610)
Interest expense	200	216
Rent income	(40,967)	(43,774)
Other income and expences	32,487	30,492
Increase and decrease in notes and accounts receivable	(33,929)	(25,151)
Increase and decrease in inventories	89,664	42,021
Increase and decrease in accounts payable	(30,278)	24,777
Increase and decrease in advances from customers	(18,479)	16,081
Increase and decrease in accrued liabilities	(10,835)	(20,977)
Others	(429,128)	(40,412)
Subtotal	(80,705)	328,965
Interest and dividends received	2,743	2,608
Interest paid	(200)	(216)
Proceeds from rent income	40,967	43,774
Income taxes paid	(26,949)	(45,635)
Others	(32,595)	(30,492)
Net cash provided by (used in) operating activities	(96,741)	299,004

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Cash flows from investing activities		
Payment into time deposits	(86,979)	(89,880)
Repayment of the time deposit	78,119	128,318
Investments in tangible fixed assets	(12,339)	(5,583)
Proceeds from sales of tangible fixed assets	4,591	—
Investments in intangibles	(22,187)	(21,153)
Payments for lease and guarantee deposits	(473)	(701)
Proceeds from collection of lease and guarantee deposits	2,008	2,732
Purchase of insurance funds	(37,654)	(12,127)
Net cash provided by (used in) investing activities	(74,913)	1,605

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Cash flows from financing activities		
Repayment of finance lease debt	(483)	(503)
Purchase of treasury stock	(303,335)	—
Dividends paid	(76,249)	(97,139)
Dividends paid to non-controlling interests	(17,193)	(19,761)
Net cash provided by (used in) financing activities	(397,262)	(117,404)
Effect of exchange rate changes on cash and cash equivalents	300	(36,598)
Net increase (decrease) in cash and cash equivalents	(568,616)	146,606
Cash and cash equivalents at beginning of period	1,919,784	1,496,555
Cash and cash equivalents at end of period	1,351,168	1,643,162