

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of December 31, 2016, and December 31, 2015

(in thousand Yen)

(Assets)	December 31, 2015	December 31, 2016
Current assets		
Cash and bank deposits	1,617,385	1,932,275
Notes and accounts receivable	760,250	748,677
Inventories	146,531	41,627
Deferred tax assets	13,143	8,327
Other current assets	157,507	141,043
Allowance for doubtful accounts	(2,563)	(3,596)
Total current assets	2,692,253	2,868,355
Non current assets		
Tangible fixed assets		
Buildings and equipments	220,259	221,089
Accumulated depreciation	(108,174)	(119,200)
Net buildings and equipment	112,084	101,889
Machinery and delivery equipments	85,968	85,108
Accumulated depreciation	(66,634)	(66,307)
Net machinery and delivery equipments	19,333	18,800
Lands	71,100	71,100
Other tangible fixed assets	155,679	158,436
Accumulated depreciation	(110,379)	(118,540)
Net other tangible fixed assets	45,300	39,896
Total tangible fixed assets	247,818	231,686
Intangible fixed assets		
Softwares	97,545	79,665
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	105,054	87,173
Investments		
Investments securities	123,164	136,077
Deferred tax assets	16,343	14,170
Net investments in real estates	421,683	411,877
Insurance funds	413,472	429,377
Other investments	144,284	136,278
Allowance for doubtful accounts	(22,778)	(15,591)
Total investments	1,096,170	1,112,189
Total non current assets	1,449,043	1,431,050
Total assets	4,141,297	4,299,405

	December 31, 2015	December 31, 2016
(Liabilities)		
Current liabilities		
Accounts payable	83,725	53,415
Income taxes payable	59,647	120,006
Advances from customers	714,316	615,757
Other current liabilities	226,345	203,345
Total current liabilities	1,084,035	992,525
Non current liabilities		
Accrued pension and severance costs for officers	123,751	134,776
Net defined benefit liability	651,289	730,540
Other non current liabilities	111,285	115,053
Total non current liabilities	886,326	980,370
Total liabilities	1,970,362	1,972,896
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	1,472,260	1,617,129
Treasury stock	(43)	(86)
Total shareholders' equity	2,097,217	2,242,043
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	843	8,904
Foreign currency translation adjustments	26,610	17,214
Total accumulated other comprehensive income	27,453	26,119
Non-controlling interests	46,263	58,346
Total net assets	2,170,934	2,326,509
Total liabilities and net assets	4,141,297	4,299,405

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2016

(in thousand Yen)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Sales	4,312,728	4,445,393
Costs of goods sold	1,632,790	1,795,870
Gross profit	2,679,937	2,649,522
Selling, general and administrative expenses	2,223,369	2,241,322
Operating income	456,568	408,200
Other income		
Interest received and dividends income	3,567	3,330
Rent income	85,030	87,616
Reversal of allowance for doubtful accounts	5,200	6,153
Other	17,672	3,575
Total other income	111,471	100,676
Other expenses		
Interest expense	400	346
Maintenance of investment properties	74,018	67,970
Other	3,709	1,854
Total other expenses	78,127	70,171
Ordinary income	489,912	438,705
Income before income taxes	489,912	438,705
Income tax expense - current	92,312	145,220
Income tax expense - deferred	55,836	2,134
Total income tax expense	148,149	147,355
Net income	341,762	291,350
Profit attributable to non-controlling interests	31,102	48,466
Profit attributable to owners of parent	310,660	242,883

	For the year ended December 31, 2015	For the year ended December 31, 2016
Net income	341,762	291,350
Other comprehensive Income		
Valuation difference on available-for-sale securities	2,787	8,061
Foreign currency translation adjustment	(9,234)	(13,381)
Total other comprehensive income	(6,447)	(5,320)
Total comprehensive income	335,315	286,029
Total Comprehensive Income attributable to:		
Owners of the parent	304,879	241,549
Non-controlling interests	30,436	44,479

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries
For the year ended December 31, 2016

(in thousand Yen)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	489,912	438,705
Depreciation	67,523	99,091
Increase and decrease in allowance for doubtful account	(5,648)	(6,153)
Increase and decrease in accrued pension and severance costs for officers	10,925	11,025
Increase and decrease in net defined benefit liability	76,811	79,296
Interests and dividend income	(3,567)	(3,330)
Interest expense	400	346
Rent income	(85,030)	(87,616)
Other income and expences	63,608	58,164
Increase and decrease in notes and accounts receivable	5,175	16,173
Increase and decrease in inventories	(37,450)	100,591
Increase and decrease in accounts payable	(27,238)	(28,583)
Increase and decrease in advances from customers	74,290	(88,479)
Increase and decrease in accrued liabilities	(805)	(53)
Others	3,196	(576)
Subtotal	632,101	588,601
Interest and dividends received	3,566	3,327
Interest paid	(400)	(346)
Proceeds from rent income	85,884	87,616
Others	(63,718)	(58,164)
Income taxes paid	(62,136)	(89,853)
Net cash provided by (used in) operating activities	595,297	531,180

	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash flows from investing activities		
Payment into time deposits	(200,597)	(160,922)
Repayment of the time deposit	177,215	175,293
Investments in tangible fixed assets	(38,991)	(21,158)
Proceeds from sales of tangible fixed assets	4,844	3,818
Investments in intangible fixed assets	(116,164)	(38,630)
Purchase of insurance funds	(41,431)	(15,904)
Payments for lease and guarantee deposits	(4,811)	(4,089)
Proceeds from collection of lease and guarantee deposits	3,669	4,415
Proceeds from guarantee deposits received	7,888	-
Purchase of memberships	(10)	(1,180)
Proceeds from sales of membership	-	633
Net cash provided by (used in) investing activities	(208,388)	(57,723)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash flows from financing activities		
Repayment of finance lease debt	(976)	(1,017)
Purchase of treasury stock	(699,993)	(43)
Dividends paid	(76,534)	(97,477)
Dividends paid for non-controlling interests	(28,812)	(28,353)
Net cash provided by (used in) financing activities	(806,316)	(126,891)
Effect of exchange rate changes on cash and cash equivalents	(3,820)	(14,852)
Net increase and decrease in cash and cash equivalents	(423,228)	331,711
Cash and cash equivalents at beginning of period	1,919,784	1,496,555
Cash and cash equivalents at end of period	1,496,555	1,828,267