

## Consolidated Balance Sheets

**C&G SYSTEMS INC. and consolidated subsidiaries**

As of **June 30, 2017, and December 31, 2016**

(in thousand Yen)

	<b>December 31, 2016</b>	<b>June 30, 2017</b>
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	1,932,275	2,110,100
Notes and accounts receivable	748,677	706,065
Inventories	41,627	50,596
Other current assets	149,370	151,270
Allowance for doubtful accounts	(3,596)	(1,014)
<b>Total current assets</b>	<b>2,868,355</b>	<b>3,017,017</b>
<b>Non current assets</b>		
<b>Tangible fixed assets</b>	231,686	234,800
<b>Intangible fixed assets</b>	87,173	60,168
<b>Investments</b>		
Investments securities	136,077	164,767
Net investments in real estates	411,877	407,265
Insurance funds	429,377	433,154
Other investments	150,449	149,750
Allowance for doubtful accounts	(15,591)	(11,991)
<b>Total investments</b>	<b>1,112,189</b>	<b>1,142,946</b>
<b>Total non current assets</b>	<b>1,431,050</b>	<b>1,437,915</b>
<b>Total assets</b>	<b>4,299,405</b>	<b>4,454,932</b>

	<b>December 31, 2016</b>	<b>June 30, 2017</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable	53,415	55,519
Income taxes payable	120,006	103,834
Advances from customers	615,757	741,920
Other current liabilities	203,345	160,005
<b>Total current liabilities</b>	<b>992,525</b>	<b>1,061,280</b>
<b>Non current liabilities</b>		
Accrued pension and severance costs for officers	134,776	140,289
Net defined benefit liability	730,540	781,965
Other non current liabilities	115,053	108,614
<b>Total non current liabilities</b>	<b>980,370</b>	<b>1,030,869</b>
<b>Total liabilities</b>	<b>1,972,896</b>	<b>2,092,149</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	1,617,129	1,662,910
Treasury stock	(86)	(86)
<b>Total shareholders' equity</b>	<b>2,242,043</b>	<b>2,287,824</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,904	28,626
Foreign currency translation adjustments	17,214	9,317
<b>Total accumulated other comprehensive income</b>	<b>26,119</b>	<b>37,943</b>
<b>Non-controlling interests</b>	58,346	37,015
<b>Total net assets</b>	<b>2,326,509</b>	<b>2,362,782</b>
<b>Total liabilities and net assets</b>	<b>4,299,405</b>	<b>4,454,932</b>

## Consolidated Statements of Income

**C&G SYSTEMS INC. and consolidated subsidiaries**

**For the six months ended June 30, 2017**

(in thousand Yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
<b>Sales</b>	2,179,647	2,087,034
Costs of goods sold	864,639	774,500
<b>Gross profit</b>	1,315,008	1,312,533
<b>Selling, general and administrative expenses</b>	1,089,543	1,078,878
<b>Operating income</b>	<b>225,464</b>	<b>233,654</b>
<b>Other income</b>		
Interest received	592	476
Dividends income	2,017	2,002
Rent income	43,774	43,638
Reversal of allowance for doubtful accounts	5,300	6,182
Other	2,214	6,991
<b>Total other income</b>	<b>53,900</b>	<b>59,292</b>
<b>Other expenses</b>		
Interest expense	216	65
Maintenance of investment properties	35,394	34,968
Other	2,715	424
<b>Total other expenses</b>	<b>38,327</b>	<b>35,457</b>
<b>Ordinary income</b>	<b>241,037</b>	<b>257,488</b>
<b>Net income before income taxes and minority interests</b>	<b>241,037</b>	<b>257,488</b>
Income tax expense - current	81,050	111,522
Income tax expense - deferred	1,548	(11,194)
<b>Total income tax expense</b>	<b>82,598</b>	<b>100,328</b>
<b>Net income</b>	<b>158,438</b>	<b>157,160</b>
<b>Profit attributable to non-controlling interests</b>	21,115	13,365
<b>Profit attributable to owners of parent</b>	<b>137,323</b>	<b>143,794</b>

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
<b>Net income</b>	158,438	157,160
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,529)	19,721
Foreign currency translation adjustment	(45,685)	(10,380)
<b>Total other comprehensive income</b>	<b>(47,214)</b>	<b>9,341</b>
<b>Total comprehensive income</b>	<b>111,223</b>	<b>166,501</b>
Total comprehensive income attributable to:		
Owners of the parent	97,423	155,618
Non-controlling interests	13,799	10,883

## Consolidated Statements of Cash Flows

**C&G SYSTEMS INC. and consolidated subsidiaries**

**For the six months ended June 30, 2017**

(in thousand Yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	241,037	257,488
Depreciation	60,332	79,816
Increase and decrease in allowance for doubtful account	(5,300)	(6,182)
Increase and decrease in accrued pension and severance costs for officers	5,462	5,512
Increase and decrease in net defined benefit liability	46,771	51,399
Interests and dividend income	(2,610)	(2,479)
Interest expense	216	65
Rent income	(43,774)	(43,638)
Other income and expences	30,492	30,356
Increase and decrease in notes and accounts receivable	(25,151)	44,674
Increase and decrease in inventories	42,021	(9,926)
Increase and decrease in accounts payable	24,777	2,901
Increase and decrease in advances from customers	16,081	120,073
Increase and decrease in accrued liabilities	(20,977)	(23,906)
Others	(40,412)	(21,242)
<b>Subtotal</b>	<b>328,965</b>	<b>484,913</b>
Interest and dividends received	2,608	2,479
Interest paid	(216)	(65)
Proceeds from rent income	43,774	43,638
Income taxes paid	(45,635)	(134,401)
Others	(30,492)	(30,347)
<b>Net cash provided by (used in) operating activities</b>	<b>299,004</b>	<b>366,217</b>

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
<b>Cash flows from investing activities</b>		
Payment into time deposits	(89,880)	(95,640)
Repayment of the time deposit	128,318	117,380
Investments in tangible fixed assets	(5,583)	(15,332)
Proceeds from sales of tangible fixed assets	-	1,943
Investments in intangibles	(21,153)	(33,131)
Payments for lease and guarantee deposits	(701)	(1,120)
Proceeds from collection of lease and guarantee deposits	2,732	3,271
Purchase of insurance funds	(12,127)	(3,777)
<b>Net cash provided by (used in) investing activities</b>	<b>1,605</b>	<b>(26,406)</b>

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
<b>Cash flows from financing activities</b>		
Repayment of finance lease debt	(503)	(524)
Dividends paid	(97,139)	(98,285)
Dividends paid to non-controlling interests	(19,761)	(31,419)
<b>Net cash provided by (used in) financing activities</b>	<b>(117,404)</b>	<b>(130,229)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(36,598)</b>	<b>(11,019)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>146,606</b>	<b>198,560</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,496,555</b>	<b>1,828,267</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,643,162</b>	<b>2,026,828</b>