

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of **June 30, 2018, and December 31, 2017**

(in thousand Yen)

	December 31, 2017	June 30, 2018
(Assets)		
Current assets		
Cash and bank deposits	2,241,417	2,111,880
Notes and accounts receivable	672,482	719,707
Inventories	52,516	114,703
Other current assets	161,649	165,277
Allowance for doubtful accounts	(196)	(142)
Total current assets	3,127,869	3,111,426
Non current assets		
Tangible fixed assets	233,426	262,461
Intangible fixed assets	54,594	29,484
Investments		
Investments securities	164,928	152,550
Net investments in real estates	402,653	398,315
Insurance funds	428,493	431,850
Other investments	411,020	433,915
Allowance for doubtful accounts	(8,981)	(4,781)
Total investments	1,398,114	1,411,850
Total non current assets	1,686,136	1,703,797
Total assets	4,814,005	4,815,223

	December 31, 2017	June 30, 2018
(Liabilities)		
Current liabilities		
Accounts payable	62,508	85,915
Income taxes payable	104,169	50,483
Advances from customers	667,299	814,275
Other current liabilities	180,830	175,455
Total current liabilities	1,014,808	1,126,129
Non current liabilities		
Accrued pension and severance costs for officers	145,799	143,258
Net defined benefit liability	817,839	845,615
Other non current liabilities	100,357	108,581
Total non current liabilities	1,063,996	1,097,455
Total liabilities	2,078,804	2,223,585
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,022,751	1,921,872
Treasury stock	(86)	(86)
Total shareholders' equity	2,647,664	2,546,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,195	19,693
Foreign currency translation adjustments	15,027	6,942
Total accumulated other comprehensive income	44,223	26,635
Non-controlling interests	43,312	18,217
Total net assets	2,735,200	2,591,638
Total liabilities and net assets	4,814,005	4,815,223

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2018

(in thousand Yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Sales	2,087,034	1,889,970
Costs of goods sold	774,500	740,079
Gross profit	1,312,533	1,149,890
Selling, general and administrative expenses	1,078,878	1,086,997
Operating income	233,654	62,893
Other income		
Interest received and dividends income	2,479	2,521
Rent income	43,638	43,722
Reversal of allowance for doubtful accounts	6,182	4,254
Other	6,991	2,443
Total other income	59,292	52,941
Other expenses		
Interest expense	65	175
Maintenance of investment properties	34,968	34,777
Other	424	3,209
Total other expenses	35,457	38,162
Ordinary income	257,488	77,671
Extraordinary losses		
Directors' retirement benefits	—	15,600
Total extraordinary losses	—	15,600
Net income before income taxes and minority interests	257,488	62,071
Income tax expense - current	111,522	52,364
Income tax expense - deferred	(11,194)	(10,629)
Total income tax expense	100,328	41,735
Net income	157,160	20,336
Profit and losses attributable to non-controlling interests	13,365	(6,201)
Profit attributable to owners of parent	143,794	26,538

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Net income	157,160	20,336
Other comprehensive income		
Valuation difference on available-for-sale securities	19,721	(9,502)
Foreign currency translation adjustment	(10,380)	(10,242)
Total other comprehensive income	9,341	(19,744)
Total comprehensive income	166,501	591
Total comprehensive income attributable to:		
Owners of the parent	155,618	8,950
Non-controlling interests	10,883	(8,358)

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries
For the six months ended June 30, 2018

(in thousand Yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from operating activities		
Income before income taxes and minority interests	257,488	62,071
Depreciation	79,816	37,208
Increase and decrease in allowance for doubtful account	(6,182)	(4,254)
Increase and decrease in accrued pension and severance costs for officers	5,512	(2,541)
Increase and decrease in net defined benefit liability	51,399	27,888
Interests and dividend income	(2,479)	(2,521)
Interest expense	65	175
Rent income	(43,638)	(43,722)
Other income and expences	30,356	30,439
Directors' retirement benefits	—	15,600
Increase and decrease in notes and accounts receivable	44,674	(45,060)
Increase and decrease in inventories	(9,926)	(62,835)
Increase and decrease in accounts payable	2,901	25,414
Increase and decrease in advances from customers	120,073	153,008
Increase and decrease in accrued liabilities	(23,906)	(6,664)
Others	(21,242)	6,936
Subtotal	484,913	191,143
Interest and dividends received	2,479	2,521
Interest paid	(65)	(175)
Proceeds from rent income	43,638	43,722
Income taxes paid	(134,401)	(118,721)
Payments for directors' retirement benefits	—	(15,600)
Others	(30,347)	(30,439)
Net cash provided by (used in) operating activities	366,217	72,450

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from investing activities		
Payment into time deposits	(95,640)	(45,300)
Repayment of the time deposit	117,380	31,650
Investments in tangible fixed assets	(15,332)	(37,453)
Proceeds from sales of tangible fixed assets	1,943	—
Investments in intangibles	(33,131)	(785)
Purchase of investment securities	—	(1,000)
Payments for lease and guarantee deposits	(1,120)	(7,927)
Proceeds from collection of lease and guarantee deposits	3,271	3,356
Purchase of insurance funds	(3,777)	(3,356)
Net cash provided by (used in) investing activities	(26,406)	(60,816)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from financing activities		
Repayment of finance lease debt	(524)	(180)
Dividends paid	(98,285)	(126,764)
Dividends paid to non-controlling interests	(31,419)	(16,735)
Net cash provided by (used in) financing activities	(130,229)	(143,681)
Effect of exchange rate changes on cash and cash equivalents	(11,019)	(8,851)
Net increase (decrease) in cash and cash equivalents	198,560	(140,899)
Cash and cash equivalents at beginning of period	1,828,267	2,136,644
Cash and cash equivalents at end of period	2,026,828	1,995,744