

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of December 31, 2019, and December 31, 2018

(in thousand Yen)

	December 31, 2018	December 31, 2019
(Assets)		
Current assets		
Cash and bank deposits	2,286,455	2,335,443
Notes and accounts receivable	424,241	445,814
Electronically recorded monetary claims-operating	269,679	288,662
Inventories	121,928	119,239
Other current assets	165,219	178,877
Allowance for doubtful accounts	(1,006)	(1,120)
Total current assets	3,266,517	3,366,918
Non current assets		
Tangible fixed assets		
Buildings and equipments	240,050	276,170
Accumulated depreciation	(131,841)	(142,854)
Net buildings and equipment	108,209	133,315
Machinery and delivery equipments	91,677	92,064
Accumulated depreciation	(62,090)	(65,732)
Net machinery and delivery equipments	29,587	26,331
Lands	71,100	71,100
Other tangible fixed assets	181,723	205,896
Accumulated depreciation	(132,996)	(147,381)
Net other tangible fixed assets	48,727	58,514
Total tangible fixed assets	257,624	289,262
Intangible fixed assets		
Softwares	12,030	11,619
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	19,538	19,127
Investments		
Investments securities	135,788	77,461
Deferred tax assets	306,855	325,574
Net investments in real estates	393,978	385,873
Insurance funds	435,206	441,919
Other investments	128,048	131,591
Allowance for doubtful accounts	(3,967)	(3,980)
Total investments	1,395,908	1,358,441
Total non current assets	1,673,072	1,666,832
Total assets	4,939,589	5,033,750

	December 31, 2018	December 31, 2019
(Liabilities)		
Current liabilities		
Accounts payable	74,832	65,701
Current portion of bonds	—	100,000
Income taxes payable	10,038	88,043
Advances from customers	734,110	774,556
Other current liabilities	178,938	181,618
Total current liabilities	997,920	1,209,920
Non current liabilities		
Bonds payable	100,000	—
Accrued pension and severance costs for officers	149,398	—
Provision for share-based remuneration for directors	—	3,874
Net defined benefit liability	885,053	944,272
Other non current liabilities	106,706	252,804
Total non current liabilities	1,241,157	1,200,952
Total liabilities	2,239,077	2,410,872
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,016,436	2,099,914
Treasury stock	(86)	(117,889)
Total shareholders' equity	2,641,349	2,607,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,679	(43,559)
Foreign currency translation adjustments	9,280	14,395
Total accumulated other comprehensive income	18,959	(29,164)
Non-controlling interests	40,202	45,017
Total net assets	2,700,511	2,622,877
Total liabilities and net assets	4,939,589	5,033,750

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2019

(in thousand Yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Sales	4,066,778	4,197,306
Costs of goods sold	1,544,934	1,553,280
Gross profit	2,521,843	2,644,025
Selling, general and administrative expenses	2,291,774	2,334,557
Operating income	230,068	309,467
Other income		
Interest received and dividends income	3,309	5,897
Rent income	88,054	89,678
Reversal of allowance for doubtful accounts	4,203	—
Other	3,157	2,481
Total other income	98,725	98,057
Other expenses		
Interest expense	215	469
Bond issuance cost	1,909	—
Maintenance of investment properties	66,513	67,695
Other	7,369	9,590
Total other expenses	76,007	77,755
Ordinary income	252,786	329,769
Extraordinary loss		
Directors' retirement benefits	15,600	—
Total extraordinary loss	15,600	—
Income before income taxes	237,186	329,769
Income tax expense - current	109,197	132,100
Income tax expense - deferred	(8,547)	(13,578)
Total income tax expense	100,650	118,521
Net income	136,535	211,248
Profit attributable to non-controlling interests	15,433	29,756
Profit attributable to owners of parent	121,102	181,491

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net income	136,535	211,248
Other comprehensive Income		
Valuation difference on available-for-sale securities	(19,516)	(53,239)
Foreign currency translation adjustment	(7,554)	5,160
Total other comprehensive income	(27,070)	(48,079)
Total comprehensive income	109,464	163,169
Total Comprehensive Income attributable to:		
Owners of the parent	95,838	133,368
Non-controlling interests	13,625	29,801

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries
For the year ended December 31, 2019

(in thousand Yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from operating activities		
Income before income taxes and minority interests	237,186	329,769
Depreciation	73,966	50,195
Increase and decrease in allowance for doubtful account	(4,203)	126
Increase and decrease in accrued pension and severance costs for officers	3,598	(149,398)
Increase in provision for share-based remuneration for directors	—	3,874
Increase in net defined benefit liability	67,250	58,924
Interests and dividend income	(3,309)	(5,897)
Interest expense	215	469
Rent income	(88,054)	(89,678)
Other income and expences	57,838	59,590
Directors' retirement benefits	15,600	—
Decrease in notes and accounts receivable	(18,333)	(38,599)
Increase and decrease in inventories	(69,939)	1,403
Increase and decrease in accounts payable	14,752	(9,837)
Increase in advances from customers	75,028	35,962
Increase and decrease in accrued liabilities	16,255	(19,545)
Increase in long-term accounts payable-other	—	149,398
Others	(42,200)	13,310
Subtotal	335,650	390,069
Interest and dividends received	3,309	5,114
Interest paid	(191)	(469)
Proceeds from rent income	88,054	90,106
Income taxes paid	(190,133)	(61,384)
Payments for directors' retirement benefits	(15,600)	—
Others	(57,838)	(59,745)
Net cash provided by (used in) operating activities	163,251	363,691

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from investing activities		
Payment into time deposits	(204,231)	(253,952)
Repayment of the time deposit	198,000	243,060
Investments in tangible fixed assets	(52,980)	(68,914)
Proceeds from sales of tangible fixed assets	—	19
Investments in intangible fixed assets	(785)	(399)
Purchase of investment securities	(1,000)	(29,953)
Proceeds from sales of investment securities	—	31,345
Payments for lease and guarantee deposits	(12,112)	(7,937)
Proceeds from collection of lease and guarantee deposits	9,286	4,534
Purchase of insurance funds	(6,713)	(6,713)
Net cash provided by (used in) investing activities	(70,536)	(88,911)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from financing activities		
Proceeds from issuance of bonds	100,000	—
Repayment of finance lease debt	(497)	(638)
Purchase of treasury stock	—	(117,803)
Dividends paid	(127,434)	(97,999)
Dividends paid for non-controlling interests	(16,735)	(24,986)
Net cash provided by (used in) financing activities	(44,667)	(241,427)
Effect of exchange rate changes on cash and cash equivalents	(8,479)	(110)
Net increase and decrease in cash and cash equivalents	39,567	33,242
Cash and cash equivalents at beginning of period	2,136,644	2,176,212
Cash and cash equivalents at end of period	2,176,212	2,209,454