

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

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

(in thousand Yen)

	December 31, 2015	March 31, 2016
(Assets)		
Current assets		
Cash and bank deposits	1,617,385	1,652,199
Notes and accounts receivable	760,250	702,557
Inventories	146,531	116,219
Other current assets	170,650	160,945
Allowance for doubtful accounts	(2,563)	(1,635)
Total current assets	2,692,253	2,630,287
Non current assets		
Tangible fixed assets	247,818	240,799
Intangible fixed assets	105,054	108,331
Investments		
Investments securities	123,164	114,114
Net investments in real estates	421,683	419,231
Insurance funds	413,472	423,711
Other investments	160,628	158,590
Allowance for doubtful accounts	(22,778)	(20,956)
Total investments	1,096,170	1,094,691
Total non current assets	1,449,043	1,443,822
Total assets	4,141,297	4,074,109

	December 31, 2015	March 31, 2016
(Liabilities)		
Current liabilities		
Accounts payable	83,725	104,486
Income taxes payable	59,647	62,265
Provision for bonuses	-	44,192
Advances from customers	714,316	649,121
Other current liabilities	226,345	172,431
Total current liabilities	1,084,035	1,032,498
Non current liabilities		
Accrued pension and severance costs for officers	123,751	126,483
Net defined benefit liability	651,289	673,689
Other non current liabilities	111,285	124,526
Total non current liabilities	886,326	924,699
Total liabilities	1,970,362	1,957,197
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	1,472,260	1,450,124
Treasury stock	(43)	(43)
Total shareholders' equity	2,097,217	2,075,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	843	(6,916)
Foreign currency translation adjustments	26,610	10,243
Total accumulated other comprehensive income	27,453	3,327
Non-controlling Interest	46,263	38,504
Total net assets	2,170,934	2,116,912
Total liabilities and net assets	4,141,297	4,074,109

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the quarter ended March 31, 2016

(in thousand Yen)

	For the quarter ended March 31, 2015	For the quarter ended March 31, 2016
Sales	1,153,868	1,104,004
Costs of goods sold	425,944	444,323
Gross profit	727,923	659,680
Selling, general and administrative expenses	560,566	548,585
Operating income	167,356	111,094
Other income		
Interest received	298	355
Rent income	20,305	21,895
Reversal of allowance for doubtful accounts	1,029	2,749
Other	4,251	5,587
Total other income	25,884	30,588
Other expenses		
Interest expense	170	158
Maintenance of investment properties	18,709	17,705
Other	-	1,153
Total other expenses	18,879	19,018
Ordinary income	174,361	122,664
Net income before for income taxes and minority interests	174,361	122,664
Income tax expense - current	26,342	40,505
Income tax expense - deferred	(3,796)	(5,622)
Total income tax expense	22,545	34,882
Net Income	151,816	87,782
Profit attributable to non-controlling interests	6,029	11,903
Profit attributable to owners of parent	145,786	75,878

	For the quarter ended March 31, 2015	For the quarter ended March 31, 2016
Net Income	151,816	87,782
Other comprehensive Income		
Valuation difference on available-for-sale securities	6,651	(7,760)
Foreign currency translation adjustment	(1,288)	(20,067)
Total other comprehensive income	5,362	(27,827)
Total comprehensive income	157,178	59,954
Total Comprehensive Income attributable to:		
Owners of the parent	151,245	51,751
Non-controlling interests	5,933	8,203