

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of December 31, 2018, and December 31, 2017

(in thousand Yen)

	December 31, 2017	December 31, 2018
(Assets)		
Current assets		
Cash and bank deposits	2,241,417	2,286,455
Notes and accounts receivable	454,487	424,241
Electronically recorded monetary claims-operating	217,995	269,679
Inventories	52,516	121,928
Deferred tax assets	10,619	2,903
Other current assets	151,029	165,219
Allowance for doubtful accounts	(196)	(1,006)
Total current assets	3,127,869	3,269,420
Non current assets		
Tangible fixed assets		
Buildings and equipments	221,727	240,050
Accumulated depreciation	(126,289)	(131,841)
Net buildings and equipment	95,437	108,209
Machinery and delivery equipments	88,563	91,677
Accumulated depreciation	(68,486)	(62,090)
Net machinery and delivery equipments	20,076	29,587
Lands	71,100	71,100
Other tangible fixed assets	173,243	181,723
Accumulated depreciation	(126,430)	(132,996)
Net other tangible fixed assets	46,812	48,727
Total tangible fixed assets	233,426	257,624
Intangible fixed assets		
Softwares	47,086	12,030
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	54,594	19,538
Investments		
Investments securities	164,928	135,788
Deferred tax assets	280,432	303,951
Net investments in real estates	402,653	393,978
Insurance funds	428,493	435,206
Other investments	130,588	128,048
Allowance for doubtful accounts	(8,981)	(3,967)
Total investments	1,398,114	1,393,005
Total non current assets	1,686,136	1,670,168
Total assets	4,814,005	4,939,589

	December 31, 2017	December 31, 2018
(Liabilities)		
Current liabilities		
Accounts payable	62,508	74,832
Income taxes payable	104,169	10,038
Advances from customers	667,299	734,110
Other current liabilities	180,830	178,938
Total current liabilities	1,014,808	997,920
Non current liabilities		
Bonds payable	—	100,000
Accrued pension and severance costs for officers	145,799	149,398
Net defined benefit liability	817,839	885,053
Other non current liabilities	100,357	106,706
Total non current liabilities	1,063,996	1,241,157
Total liabilities	2,078,804	2,239,077
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,022,751	2,016,436
Treasury stock	(86)	(86)
Total shareholders' equity	2,647,664	2,641,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,195	9,679
Foreign currency translation adjustments	15,027	9,280
Total accumulated other comprehensive income	44,223	18,959
Non-controlling interests	43,312	40,202
Total net assets	2,735,200	2,700,511
Total liabilities and net assets	4,814,005	4,939,589

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2018

(in thousand Yen)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Sales	4,083,285	4,066,778
Costs of goods sold	1,548,472	1,544,934
Gross profit	2,534,813	2,521,843
Selling, general and administrative expenses	2,205,963	2,291,774
Operating income	328,849	230,068
Other income		
Interest received and dividends income	3,111	3,309
Rent income	87,901	88,054
Reversal of allowance for doubtful accounts	10,010	4,203
Other	12,001	3,157
Total other income	113,026	98,725
Other expenses		
Interest expense	206	215
Bond issuance cost	—	1,909
Maintenance of investment properties	67,109	66,513
Other	922	7,369
Total other expenses	68,238	76,007
Ordinary income	373,636	252,786
Extraordinary income		
Gain on insurance adjustment	62,122	—
Total extraordinary income	62,122	—
Extraordinary loss		
Directors' retirement benefits	—	15,600
Total extraordinary loss	—	15,600
Income before income taxes	435,759	237,186
Income tax expense - current	190,214	109,197
Income tax expense - deferred	(277,097)	(8,547)
Total income tax expense	(86,883)	100,650
Net income	522,643	136,535
Profit attributable to non-controlling interests	19,007	15,433
Profit attributable to owners of parent	503,635	121,102

	For the year ended December 31, 2017	For the year ended December 31, 2018
Net income	522,643	136,535
Other comprehensive Income		
Valuation difference on available-for-sale securities	20,290	(19,516)
Foreign currency translation adjustment	(4,014)	(7,554)
Total other comprehensive income	16,276	(27,070)
Total comprehensive income	538,919	109,464
Total Comprehensive Income attributable to:		
Owners of the parent	521,739	95,838
Non-controlling interests	17,180	13,625

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2018

(in thousand Yen)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Cash flows from operating activities		
Income before income taxes and minority interests	435,759	237,186
Depreciation	123,136	73,966
Increase and decrease in allowance for doubtful account	(10,010)	(4,203)
Increase and decrease in accrued pension and severance costs for officers	11,022	3,598
Increase and decrease in net defined benefit liability	87,192	67,250
Interests and dividend income	(3,111)	(3,309)
Interest expense	206	215
Rent income	(87,901)	(88,054)
Other income and expences	57,885	57,838
Gain on insurance claim	(62,122)	—
Directors' retirement benefits	—	15,600
Increase and decrease in notes and accounts receivable	82,597	(18,333)
Increase and decrease in inventories	(11,631)	(69,939)
Increase and decrease in accounts payable	8,749	14,752
Increase and decrease in advances from customers	34,574	75,028
Increase and decrease in accrued liabilities	(17,008)	16,255
Others	(424)	(42,200)
Subtotal	648,914	335,650
Interest and dividends received	3,112	3,309
Interest paid	(206)	(191)
Proceeds from rent income	87,901	88,054
Proceeds from insurance income	70,350	—
Payments for directors' retirement benefits	—	(15,600)
Others	(57,885)	(57,838)
Income taxes paid	(218,098)	(190,133)
Net cash provided by (used in) operating activities	534,089	163,251

	For the year ended December 31, 2017	For the year ended December 31, 2018
Cash flows from investing activities		
Payment into time deposits	(174,751)	(204,231)
Repayment of the time deposit	178,200	198,000
Investments in tangible fixed assets	(36,065)	(52,980)
Proceeds from sales of tangible fixed assets	1,945	—
Investments in intangible fixed assets	(47,631)	(785)
Purchase of investment securities	—	(1,000)
Purchase of insurance funds	(7,343)	(6,713)
Payments for lease and guarantee deposits	(7,033)	(12,112)
Proceeds from collection of lease and guarantee deposits	6,085	9,286
Proceeds from sales of membership	300	—
Net cash provided by (used in) investing activities	(86,296)	(70,536)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Cash flows from financing activities		
Proceeds from issuance of bonds	—	100,000
Repayment of finance lease debt	(1,059)	(497)
Dividends paid	(98,674)	(127,434)
Dividends paid for non-controlling interests	(31,419)	(16,735)
Net cash provided by (used in) financing activities	(131,153)	(44,667)
Effect of exchange rate changes on cash and cash equivalents	(8,262)	(8,479)
Net increase and decrease in cash and cash equivalents	308,376	39,567
Cash and cash equivalents at beginning of period	1,828,267	2,136,644
Cash and cash equivalents at end of period	2,136,644	2,176,212