

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of June 30, 2019, and December 31, 2018

(in thousand Yen)

	December 31, 2018	June 30, 2019
(Assets)		
Current assets		
Cash and bank deposits	2,286,455	2,384,367
Notes and accounts receivable	424,241	369,329
Electronically recorded monetary claims-operating	269,679	246,916
Inventories	121,928	82,797
Other current assets	165,219	173,548
Allowance for doubtful accounts	(1,006)	(918)
Total current assets	3,266,517	3,256,041
Non current assets		
Tangible fixed assets	257,624	299,144
Intangible fixed assets	19,538	16,305
Investments		
Investments securities	135,788	132,654
Net investments in real estates	393,978	389,926
Insurance funds	435,206	438,563
Other investments	434,903	452,283
Allowance for doubtful accounts	(3,967)	(3,979)
Total investments	1,395,908	1,409,448
Total non current assets	1,673,072	1,724,898
Total assets	4,939,589	4,980,939

	December 31, 2018	June 30, 2019
(Liabilities)		
Current liabilities		
Accounts payable	74,832	58,656
Income taxes payable	10,038	69,750
Advances from customers	734,110	755,839
Other current liabilities	178,938	184,260
Total current liabilities	997,920	1,068,507
Non current liabilities		
Bonds payable	100,000	100,000
Accrued pension and severance costs for officers	149,398	—
Provision for share-based remuneration for officers	—	1,291
Net defined benefit liability	885,053	918,922
Other non current liabilities	106,706	251,934
Total non current liabilities	1,241,157	1,272,148
Total liabilities	2,239,077	2,340,656
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,016,436	2,005,247
Treasury stock	(86)	(32,859)
Total shareholders' equity	2,641,349	2,597,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,679	(18,356)
Foreign currency translation adjustments	9,280	7,505
Total accumulated other comprehensive income	18,959	(10,850)
Non-controlling interests	40,202	53,747
Total net assets	2,700,511	2,640,283
Total liabilities and net assets	4,939,589	4,980,939

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2019

(in thousand Yen)

	For the six months ended June 30, 2018	For the six months ended June 30, 2019
Sales	1,889,970	2,139,994
Costs of goods sold	740,079	803,062
Gross profit	1,149,890	1,336,932
Selling, general and administrative expenses	1,086,997	1,176,584
Operating income	62,893	160,347
Other income		
Interest received and dividends income	2,521	2,719
Rent income	43,722	43,858
Other	6,697	1,115
Total other income	52,941	47,693
Other expenses		
Interest expense	175	185
Maintenance of investment properties	34,777	35,087
Other	3,209	3,728
Total other expenses	38,162	39,000
Ordinary income	77,671	169,041
Extraordinary losses		
Directors' retirement benefits	15,600	—
Total extraordinary losses	15,600	—
Net income before income taxes and minority interests	62,071	169,041
Income tax expense - current	52,364	65,781
Income tax expense - deferred	(10,629)	(10,083)
Total income tax expense	41,735	55,697
Net income	20,336	113,343
Profit and losses attributable to non-controlling interests	(6,201)	26,518
Profit attributable to owners of parent	26,538	86,824

	For the six months ended June 30, 2018	For the six months ended June 30, 2019
Net income	20,336	113,343
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,502)	(28,035)
Foreign currency translation adjustment	(10,242)	(2,506)
Total other comprehensive income	(19,744)	(30,542)
Total comprehensive income	591	82,800
Total comprehensive income attributable to:		
Owners of the parent	8,950	57,014
Non-controlling interests	(8,358)	25,786

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2019

(in thousand Yen)

	For the six months ended June 30, 2018	For the six months ended June 30, 2019
Cash flows from operating activities		
Income before income taxes and minority interests	62,071	169,041
Depreciation	37,208	24,815
Increase and decrease in allowance for doubtful account	(4,254)	(76)
Increase and decrease in accrued pension and severance costs for officers	(2,541)	(149,398)
Increase and decrease in share-based remuneration for officers	—	1,291
Increase and decrease in net defined benefit liability	27,888	33,748
Interests and dividend income	(2,521)	(2,719)
Interest expense	175	185
Rent income	(43,722)	(43,858)
Other income and expences	30,439	31,034
Directors' retirement benefits	15,600	—
Increase and decrease in notes and accounts receivable	(45,060)	78,443
Increase and decrease in inventories	(62,835)	36,116
Increase and decrease in accounts payable	25,414	(15,778)
Increase and decrease in advances from customers	153,008	19,536
Increase and decrease in accrued liabilities	(6,664)	(13,407)
Increase and decrease in long-term accounts payable-other	—	149,398
Others	6,936	13,988
Subtotal	191,143	332,361
Interest and dividends received	2,521	2,719
Interest paid	(175)	(185)
Proceeds from rent income	43,722	43,858
Income taxes paid	(118,721)	(8,968)
Payments for directors' retirement benefits	(15,600)	—
Others	(30,439)	(31,186)
Net cash provided by (used in) operating activities	72,450	338,598

	For the six months ended June 30, 2018	For the six months ended June 30, 2019
Cash flows from investing activities		
Payment into time deposits	(45,300)	(114,000)
Repayment of the time deposit	31,650	103,500
Investments in tangible fixed assets	(37,453)	(60,060)
Investments in intangibles	(785)	(107)
Purchase of investment securities	(1,000)	(30,005)
Payments for lease and guarantee deposits	(7,927)	(4,514)
Proceeds from collection of lease and guarantee deposits	3,356	2,605
Purchase of insurance funds	(3,356)	(3,356)
Net cash provided by (used in) investing activities	(60,816)	(105,939)

	For the six months ended June 30, 2018	For the six months ended June 30, 2019
Cash flows from financing activities		
Repayment of finance lease debt	(180)	(318)
Purchase of treasury stock	—	(32,773)
Dividends paid	(126,764)	(97,629)
Dividends paid to non-controlling interests	(16,735)	(12,241)
Net cash provided by (used in) financing activities	(143,681)	(142,962)
Effect of exchange rate changes on cash and cash equivalents	(8,851)	(4,270)
Net increase (decrease) in cash and cash equivalents	(140,899)	85,426
Cash and cash equivalents at beginning of period	2,136,644	2,176,212
Cash and cash equivalents at end of period	1,995,744	2,261,638