

## Consolidated Balance Sheets

**C&G SYSTEMS INC. and consolidated subsidiaries**

**As of June 30, 2020, and December 31, 2019**

(in thousand Yen)

	<b>December 31, 2019</b>	<b>June 30, 2020</b>
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	2,335,443	2,541,101
Notes and accounts receivable	445,814	323,900
Electronically recorded monetary claims-operating	288,662	258,373
Inventories	119,239	71,300
Other current assets	178,877	159,855
Allowance for doubtful accounts	(1,120)	(870)
<b>Total current assets</b>	<b>3,366,918</b>	<b>3,353,662</b>
<b>Non current assets</b>		
<b>Tangible fixed assets</b>	<b>289,262</b>	<b>286,574</b>
<b>Intangible fixed assets</b>	<b>19,127</b>	<b>14,461</b>
<b>Investments</b>		
Investments securities	77,461	104,344
Net investments in real estates	385,873	382,162
Insurance funds	441,919	445,276
Other investments	457,166	465,192
Allowance for doubtful accounts	(3,980)	(3,973)
<b>Total investments</b>	<b>1,358,441</b>	<b>1,393,003</b>
<b>Total non current assets</b>	<b>1,666,832</b>	<b>1,694,038</b>
<b>Total assets</b>	<b>5,033,750</b>	<b>5,047,701</b>

	December 31, 2019	June 30, 2020
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable	65,701	64,056
Short-term loans payable	—	12,680
Current portion of bonds	100,000	100,000
Income taxes payable	88,043	66,657
Advances from customers	774,556	793,078
Other current liabilities	181,618	162,234
<b>Total current liabilities</b>	<b>1,209,920</b>	<b>1,198,707</b>
<b>Non current liabilities</b>		
Provision for share-based remuneration for officers	3,874	6,466
Net defined benefit liability	944,272	985,388
Other non current liabilities	252,804	260,293
<b>Total non current liabilities</b>	<b>1,200,952</b>	<b>1,252,148</b>
<b>Total liabilities</b>	<b>2,410,872</b>	<b>2,450,856</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,099,914	2,038,494
Treasury stock	(117,889)	(117,889)
<b>Total shareholders' equity</b>	<b>2,607,024</b>	<b>2,545,604</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(43,559)	(2,834)
Foreign currency translation adjustments	14,395	5,796
<b>Total accumulated other comprehensive income</b>	<b>(29,164)</b>	<b>2,962</b>
<b>Non-controlling interests</b>	45,017	48,277
<b>Total net assets</b>	<b>2,622,877</b>	<b>2,596,845</b>
<b>Total liabilities and net assets</b>	<b>5,033,750</b>	<b>5,047,701</b>

## Consolidated Statements of Income

**C&G SYSTEMS INC. and consolidated subsidiaries**

**For the six months ended June 30, 2020**

(in thousand Yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
<b>Sales</b>	2,139,994	1,976,271
Costs of goods sold	803,062	756,992
<b>Gross profit</b>	1,336,932	1,219,278
<b>Selling, general and administrative expenses</b>	1,176,584	1,078,428
<b>Operating income</b>	<b>160,347</b>	<b>140,850</b>
<b>Other income</b>		
Interest received and dividends income	2,719	2,958
Rent income	43,858	46,565
Other	1,115	5,666
<b>Total other income</b>	<b>47,693</b>	<b>55,189</b>
<b>Other expenses</b>		
Interest expense	185	140
Loss on valuation of investment securities	—	62,923
Maintenance of investment properties	35,087	35,933
Other	3,728	852
<b>Total other expenses</b>	<b>39,000</b>	<b>99,850</b>
<b>Ordinary income</b>	<b>169,041</b>	<b>96,190</b>
<b>Net income before income taxes and minority interests</b>	<b>169,041</b>	<b>96,190</b>
Income tax expense - current	65,781	52,252
Income tax expense - deferred	(10,083)	(10,468)
<b>Total income tax expense</b>	<b>55,697</b>	<b>41,784</b>
<b>Net income</b>	<b>113,343</b>	<b>54,405</b>
<b>Profit and losses attributable to non-controlling interests</b>	26,518	19,811
<b>Profit attributable to owners of parent</b>	<b>86,824</b>	<b>34,594</b>

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
<b>Net income</b>	113,343	54,405
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(28,035)	40,725
Foreign currency translation adjustment	(2,506)	(9,800)
<b>Total other comprehensive income</b>	<b>(30,542)</b>	<b>30,925</b>
<b>Total comprehensive income</b>	<b>82,800</b>	<b>85,331</b>
Total comprehensive income attributable to:		
Owners of the parent	57,014	66,720
Non-controlling interests	25,786	18,610

## Consolidated Statements of Cash Flows

**C&G SYSTEMS INC. and consolidated subsidiaries**

**For the six months ended June 30, 2020**

(in thousand Yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	169,041	96,190
Depreciation	24,815	24,649
Increase and decrease in allowance for doubtful account	(76)	(257)
Increase and decrease in accrued pension and severance costs for officers	(149,398)	—
Increase and decrease in share-based remuneration for officers	1,291	2,591
Increase and decrease in net defined benefit liability	33,748	41,445
Interests and dividend income	(2,719)	(2,958)
Interest expense	185	140
Rent income	(43,858)	(46,565)
Other income and expences	31,034	32,222
Loss (gain) on valuation of investment securities	—	62,923
Increase and decrease in notes and accounts receivable	78,443	150,485
Increase and decrease in inventories	36,116	46,324
Increase and decrease in accounts payable	(15,778)	(277)
Increase and decrease in advances from customers	19,536	29,936
Increase and decrease in accrued liabilities	(13,407)	(3,569)
Increase and decrease in long-term accounts payable-other	149,398	—
Others	13,988	(1,828)
<b>Subtotal</b>	<b>332,361</b>	<b>431,451</b>
Interest and dividends received	2,719	2,958
Interest paid	(185)	(140)
Proceeds from rent income	43,858	46,565
Income taxes paid	(8,968)	(72,292)
Others	(31,186)	(32,222)
<b>Net cash provided by (used in) operating activities</b>	<b>338,598</b>	<b>376,320</b>

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
<b>Cash flows from investing activities</b>		
Payment into time deposits	(114,000)	(153,090)
Repayment of the time deposit	103,500	148,600
Investments in tangible fixed assets	(60,060)	(15,755)
Investments in intangibles	(107)	(320)
Purchase of investment securities	(30,005)	(49,848)
Proceeds from sales of investment securities	—	2,426
Payments for lease and guarantee deposits	(4,514)	(1,135)
Proceeds from collection of lease and guarantee deposits	2,605	2,705
Purchase of insurance funds	(3,356)	(3,356)
<b>Net cash provided by (used in) investing activities</b>	<b>(105,939)</b>	<b>(69,773)</b>

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	—	12,680
Repayment of finance lease debt	(318)	(321)
Purchase of treasury stock	(32,773)	—
Dividends paid	(97,629)	(95,895)
Dividends paid to non-controlling interests	(12,241)	(15,349)
<b>Net cash provided by (used in) financing activities</b>	<b>(142,962)</b>	<b>(98,886)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(4,270)</b>	<b>(2,983)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>85,426</b>	<b>204,676</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,176,212</b>	<b>2,209,454</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,261,638</b>	<b>2,414,130</b>