

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of June 30, 2022, and December 31, 2021

(in thousand Yen)

	December 31, 2021	June 30, 2022
(Assets)		
Current assets		
Cash and bank deposits	2,755,201	2,811,633
Notes and accounts receivable	273,981	—
Notes and accounts receivable - trade, and contract assets	—	304,335
Electronically recorded monetary claims-operating	251,332	352,724
Inventories	89,356	174,062
Other current assets	213,189	273,293
Allowance for doubtful accounts	(4,415)	(3,728)
Total current assets	3,578,646	3,912,319
Non current assets		
Tangible fixed assets	274,464	267,802
Intangible fixed assets	24,196	23,772
Investments		
Investments securities	170,007	168,611
Net investments in real estates	371,470	368,150
Insurance funds	455,346	460,445
Other investments	495,261	518,044
Allowance for doubtful accounts	(4,349)	(4,122)
Total investments	1,487,735	1,511,129
Total non current assets	1,786,396	1,802,704
Total assets	5,365,043	5,715,024

	December 31, 2021	June 30, 2022
(Liabilities)		
Current liabilities		
Accounts payable	95,207	109,062
Income taxes payable	104,264	97,733
Advances from customers	766,405	—
Contract liabilities	—	993,012
Other current liabilities	198,354	200,537
Total current liabilities	1,164,231	1,400,346
Non current liabilities		
Provision for share-based remuneration for officers	14,265	16,881
Net defined benefit liability	1,066,564	1,090,717
Other non current liabilities	258,718	216,939
Total non current liabilities	1,339,548	1,324,539
Total liabilities	2,503,780	2,724,885
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,216,031	2,285,592
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,723,141	2,792,702
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,524	63,895
Foreign currency translation adjustments	17,586	67,767
Total accumulated other comprehensive income	76,110	131,663
Non-controlling interests	62,010	65,773
Total net assets	2,861,262	2,990,139
Total liabilities and net assets	5,365,043	5,715,024

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2022

(in thousand Yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Sales	1,925,499	2,144,694
Costs of goods sold	688,820	791,189
Gross profit	1,236,678	1,353,504
Selling, general and administrative expenses	1,044,683	1,100,782
Operating income	191,995	252,721
Other income		
Interest received and dividends income	2,454	3,063
Rent income	46,936	46,864
Other	38,232	14,504
Total other income	87,624	64,432
Other expenses		
Interest expense	207	103
Loss on valuation of investment securities	267	—
Maintenance of investment properties	36,095	35,712
Other	40	115
Total other expenses	36,611	35,931
Ordinary income	243,008	281,222
Net income before income taxes and minority interests	243,008	281,222
Income tax expense - current	86,278	90,615
Income tax expense - deferred	(12,253)	(130)
Total income tax expense	74,024	90,485
Net income	168,983	190,736
Profit and losses attributable to non-controlling interests	8,658	25,162
Profit attributable to owners of parent	160,325	165,574

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Net income	168,983	190,736
Other comprehensive income		
Valuation difference on available-for-sale securities	4,136	5,371
Foreign currency translation adjustment	15,785	60,455
Total other comprehensive income	19,921	65,826
Total comprehensive income	188,905	256,563
Total comprehensive income attributable to:		
Owners of the parent	178,047	221,127
Non-controlling interests	10,857	35,435

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2022

(in thousand Yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from operating activities		
Income before income taxes and minority interests	243,008	281,222
Depreciation	22,561	24,704
Increase and decrease in allowance for doubtful account	187	(913)
Increase and decrease in share-based remuneration for officers	2,599	2,616
Increase and decrease in net defined benefit liability	15,750	22,626
Interests and dividend income	(2,454)	(3,063)
Interest expense	207	103
Rent income	(46,936)	(46,864)
Other income and expences	32,593	32,393
Loss (gain) on valuation of investment securities	267	—
Increase and decrease in notes and accounts receivable	(96,816)	—
Increase and decrease in notes and accounts receivable, and contract assets	—	(126,227)
Increase and decrease in inventories	3,330	(76,315)
Increase and decrease in accounts payable	996	6,010
Increase and decrease in advances from customers	75,122	—
Increase and decrease in contract liabilities	—	157,626
Increase and decrease in accrued liabilities	2,067	9,965
Others	(68,108)	(50,687)
Subtotal	184,378	233,197
Interest and dividends received	2,450	3,063
Interest paid	(207)	(103)
Proceeds from rent income	46,936	46,864
Income taxes paid	(17,809)	(100,924)
Proceeds from insurance income	10,000	—
Others	(32,593)	(32,393)
Net cash provided by (used in) operating activities	193,154	149,703

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from investing activities		
Payment into time deposits	(188,880)	(271,800)
Repayment of the time deposit	84,680	112,950
Investments in tangible fixed assets	(7,540)	(3,987)
Proceeds from sales of tangible fixed assets	—	14
Proceeds from sales of membership	72	—
Payments of long-term loans receivable	(5,000)	—
Payments for lease and guarantee deposits	(1,113)	(22,092)
Proceeds from collection of lease and guarantee deposits	3,229	2,041
Purchase of insurance funds	(3,356)	(5,099)
Net cash provided by (used in) investing activities	(117,908)	(187,972)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from financing activities		
Increase in short-term loans payable	16,580	—
Repayment of finance lease debt	(324)	(328)
Dividends paid	(67,714)	(96,296)
Dividends paid to non-controlling interests	(13,428)	(31,673)
Net cash provided by (used in) financing activities	(64,886)	(128,298)
Effect of exchange rate changes on cash and cash equivalents	19,700	64,149
Net increase (decrease) in cash and cash equivalents	30,059	(102,417)
Cash and cash equivalents at beginning of period	2,468,081	2,720,201
Cash and cash equivalents at end of period	2,498,140	2,617,783