

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

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

(in thousand Yen)

	December 31, 2021	December 31, 2022
(Assets)		
Current assets		
Cash and bank deposits	2,755,201	2,999,836
Notes and accounts receivable	273,981	-
Notes and accounts receivable - trade, and contract assets	-	324,003
Electronically recorded monetary claims-operating	251,332	264,478
Inventories	89,356	34,224
Other current assets	213,189	216,417
Allowance for doubtful accounts	(4,415)	(106)
Total current assets	3,578,646	3,838,853
Non current assets		
Tangible fixed assets		
Buildings and equipments	283,300	344,334
Accumulated depreciation	(163,676)	(166,591)
Net buildings and equipment	119,624	177,743
Machinery and delivery equipments	95,848	117,315
Accumulated depreciation	(68,739)	(86,815)
Net machinery and delivery equipments	27,109	30,499
Lands	71,100	71,100
Other tangible fixed assets	225,224	253,882
Accumulated depreciation	(168,593)	(188,936)
Net other tangible fixed assets	56,630	64,946
Total tangible fixed assets	274,464	344,290
Intangible fixed assets		
Softwares	16,687	27,701
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	24,196	35,210
Investments		
Investments securities	170,007	170,021
Deferred tax assets	356,643	362,553
Net investments in real estates	371,470	364,833
Insurance funds	455,346	472,514
Other investments	138,618	150,503
Allowance for doubtful accounts	(4,349)	(4,122)
Total investments	1,487,735	1,516,303
Total non current assets	1,786,396	1,895,804
Total assets	5,365,043	5,734,657

	December 31, 2021	December 31, 2022
(Liabilities)		
Current liabilities		
Accounts payable	95,207	56,084
Income taxes payable	104,264	79,035
Advances from customers	766,405	-
Contract liabilities	-	822,790
Asset retirement obligation	3,212	-
Other current liabilities	195,141	290,217
Total current liabilities	1,164,231	1,248,128
Non current liabilities		
Provision for share-based remuneration for directors	14,265	19,513
Net defined benefit liability	1,066,564	1,098,548
Other non current liabilities	258,718	227,639
Total non current liabilities	1,339,548	1,345,701
Total liabilities	2,503,780	2,593,830
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,216,031	2,413,774
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,723,141	2,920,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,524	65,310
Foreign currency translation adjustments	17,586	58,898
Total accumulated other comprehensive income	76,110	124,208
Non-controlling interests	62,010	95,733
Total net assets	2,861,262	3,140,827
Total liabilities and net assets	5,365,043	5,734,657

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2022

(in thousand Yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Sales	3,744,841	4,421,526
Costs of goods sold	1,358,411	1,669,640
Gross profit	2,386,430	2,751,885
Selling, general and administrative expenses	2,109,889	2,296,525
Operating income	276,541	455,360
Other income		
Interest received and dividends income	2,848	4,780
Rent income	94,277	94,183
Gain on forgiveness of debts	32,476	-
Other	40,269	25,451
Total other income	169,872	124,416
Other expenses		
Interest expense	375	267
Loss on valuation of investment securities	267	-
Maintenance of investment properties	68,271	67,376
Other	40	115
Total other expenses	68,954	67,759
Ordinary income	377,459	512,017
Income before income taxes	377,459	512,017
Income tax expense - current	149,841	150,535
Income tax expense - deferred	(22,812)	1,127
Total income tax expense	127,028	151,662
Net income	250,430	360,354
Profit attributable to non-controlling interests	31,541	66,598
Profit attributable to owners of parent	218,889	293,757

	For the year ended December 31, 2021	For the year ended December 31, 2022
Net income	250,430	360,355
Other comprehensive Income		
Valuation difference on available-for-sale securities	48,480	6,786
Foreign currency translation adjustment	23,153	50,466
Total other comprehensive income	71,633	57,253
Total comprehensive income	322,064	417,608
Total Comprehensive Income attributable to:		
Owners of the parent	286,984	341,855
Non-controlling interests	35,080	75,752

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2022

(in thousand Yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from operating activities		
Income before income taxes and minority interests	377,459	512,017
Depreciation	48,265	52,963
Increase and decrease in allowance for doubtful account	3,594	(4,535)
Increase in provision for share-based remuneration for directors	5,199	5,248
Increase in net defined benefit liability	49,058	30,638
Interests and dividend income	(2,848)	(4,780)
Interest expense	375	267
Rent income	(94,277)	(94,183)
Loss on valuation of investment securities	267	-
Gain on forgiveness of debt	(32,476)	-
Other income and expences	61,266	60,739
Increase in notes and accounts receivable	(20,390)	-
Increase in notes and accounts receivable, and contract assets	-	(58,998)
Decrease in inventories	7,665	61,983
Increase and decrease in accounts payable	33,322	(45,208)
Decrease in advances from customers	(4,724)	-
Decrease in contract liabilities	-	(6,261)
Increase in accrued liabilities	8,741	33,942
Others	(53,691)	6,104
Subtotal	386,806	549,936
Interest and dividends received	2,848	4,780
Interest paid	(375)	(267)
Proceeds from insurance income	10,000	-
Proceeds from rent income	94,277	94,183
Income taxes paid	(92,594)	(176,044)
Others	(61,266)	(60,739)
Net cash provided by (used in) operating activities	339,695	411,848

	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from investing activities		
Payment into time deposits	(275,250)	(462,200)
Repayment of the time deposit	275,478	462,200
Investments in tangible fixed assets	(23,251)	(51,722)
Proceeds from sales of tangible fixed assets	0	17
Investments in intangible fixed assets	(16,940)	(228)
Proceeds from sales of membership	72	-
Payments of long-term loans receivable	(5,000)	-
Payments for lease and guarantee deposits	(5,404)	(28,756)
Proceeds from collection of lease and guarantee deposits	4,613	17,172
Purchase of insurance funds	(6,713)	(17,168)
Net cash provided by (used in) investing activities	(52,395)	(80,685)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from financing activities		
Increase in short-term loans payable	18,939	-
Repayment of finance lease debt	(651)	(657)
Dividends paid	(67,852)	(96,427)
Dividends paid for non-controlling interests	(13,428)	(42,030)
Net cash provided by (used in) financing activities	(62,992)	(139,115)
Effect of exchange rate changes on cash and cash equivalents	27,812	52,587
Net increase in cash and cash equivalents	252,120	244,635
Cash and cash equivalents at beginning of period	2,468,081	2,720,201
Cash and cash equivalents at end of period	2,720,201	2,964,836