

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of June 30, 2023, and December 31, 2022

(in thousand Yen)

	December 31, 2022	June 30, 2023
(Assets)		
Current assets		
Cash and bank deposits	2,999,836	2,884,096
Notes and accounts receivable - trade, and contract assets	324,003	347,699
Electronically recorded monetary claims-operating	264,478	359,609
Inventories	34,224	51,804
Other current assets	216,417	210,854
Allowance for doubtful accounts	(106)	(258)
Total current assets	3,838,853	3,853,805
Non current assets		
Tangible fixed assets	344,290	373,106
Intangible fixed assets	35,210	20,618
Investments		
Investments securities	170,021	165,623
Net investments in real estates	364,833	361,688
Insurance funds	472,514	526,246
Other investments	513,056	525,211
Allowance for doubtful accounts	(4,122)	(3,881)
Total investments	1,516,303	1,574,887
Total non current assets	1,895,804	1,968,613
Total assets	5,734,657	5,822,418

	December 31, 2022	June 30, 2023
(Liabilities)		
Current liabilities		
Accounts payable	56,084	54,062
Income taxes payable	79,035	93,302
Contract liabilities	822,790	946,460
Other current liabilities	290,217	213,096
Total current liabilities	1,248,128	1,306,923
Non current liabilities		
Provision for share-based remuneration for officers	19,513	22,146
Net defined benefit liability	1,098,548	1,107,723
Other non current liabilities	227,639	245,545
Total non current liabilities	1,345,701	1,375,415
Total liabilities	2,593,830	2,682,338
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,413,774	2,424,335
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,920,884	2,931,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,310	61,750
Foreign currency translation adjustments	58,898	91,433
Total accumulated other comprehensive income	124,208	153,183
Non-controlling interests	95,733	55,451
Total net assets	3,140,827	3,140,080
Total liabilities and net assets	5,734,657	5,822,418

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2023

(in thousand Yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Sales	2,144,694	2,067,217
Costs of goods sold	791,189	690,873
Gross profit	1,353,504	1,376,344
Selling, general and administrative expenses	1,100,782	1,198,881
Operating income	252,721	177,462
Other income		
Interest received and dividends income	3,063	4,844
Rent income	46,864	48,132
Insurance premiums refunded cancellation	—	25,962
Other	14,504	8,676
Total other income	64,432	87,616
Other expenses		
Interest expense	103	775
Maintenance of investment properties	35,712	36,839
Other	115	1,391
Total other expenses	35,931	39,007
Ordinary income	281,222	226,071
Net income before income taxes and minority interests	281,222	226,071
Income tax expense - current	90,615	89,183
Income tax expense - deferred	(130)	(10,022)
Total income tax expense	90,485	79,161
Net income	190,736	146,909
Profit and losses attributable to non-controlling interests	25,162	11,530
Profit attributable to owners of parent	165,574	135,378

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net income	190,736	146,909
Other comprehensive income		
Valuation difference on available-for-sale securities	5,371	(3,560)
Foreign currency translation adjustment	60,455	37,582
Total other comprehensive income	65,826	34,022
Total comprehensive income	256,563	180,931
Total comprehensive income attributable to:		
Owners of the parent	221,127	164,353
Non-controlling interests	35,435	16,578

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2023

(in thousand Yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from operating activities		
Income before income taxes and minority interests	281,222	226,071
Depreciation	24,704	37,328
Increase and decrease in allowance for doubtful account	(913)	(89)
Increase and decrease in share-based remuneration for officers	2,616	2,632
Increase and decrease in net defined benefit liability	22,626	8,066
Interests and dividend income	(3,063)	(4,844)
Interest expense	103	775
Rent income	(46,864)	(48,132)
Insurance premiums refunded cancellation	—	(25,962)
Other income and expences	32,393	33,694
Increase and decrease in notes and accounts receivable, and contract assets	(126,227)	(112,721)
Increase and decrease in inventories	(76,315)	(16,792)
Increase and decrease in accounts payable	6,010	(3,922)
Increase and decrease in contract liabilities	157,626	110,007
Increase and decrease in accrued liabilities	9,965	(22,157)
Others	(50,687)	(7,940)
Subtotal	233,197	176,014
Interest and dividends received	3,063	4,844
Interest paid	(103)	(775)
Proceeds from rent income	46,864	48,132
Income taxes paid	(100,924)	(74,266)
Others	(32,393)	(33,753)
Net cash provided by (used in) operating activities	149,703	120,195

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from investing activities		
Payment into time deposits	(271,800)	(298,970)
Repayment of the time deposit	112,950	151,450
Investments in tangible fixed assets	(3,987)	(65,339)
Proceeds from sales of tangible fixed assets	14	—
Payments for lease and guarantee deposits	(22,092)	(2,156)
Proceeds from collection of lease and guarantee deposits	2,041	1,953
Purchase of insurance funds	(5,099)	(91,258)
Proceeds from maturity of insurance funds	—	63,489
Net cash provided by (used in) investing activities	(187,972)	(240,832)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from financing activities		
Repayment of finance lease debt	(328)	(331)
Dividends paid	(96,296)	(124,329)
Dividends paid to non-controlling interests	(31,673)	(54,783)
Net cash provided by (used in) financing activities	(128,298)	(179,443)
Effect of exchange rate changes on cash and cash equivalents	64,149	36,820
Net increase (decrease) in cash and cash equivalents	(102,417)	(263,260)
Cash and cash equivalents at beginning of period	2,720,201	2,964,836
Cash and cash equivalents at end of period	2,617,783	2,701,576