

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

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

(in thousand Yen)

	December 31, 2022	December 31, 2023
(Assets)		
Current assets		
Cash and bank deposits	2,999,836	2,807,529
Notes and accounts receivable - trade, and contract assets	324,003	266,556
Electronically recorded monetary claims-operating	264,478	216,816
Inventories	34,224	36,272
Other current assets	216,417	218,799
Allowance for doubtful accounts	(106)	(184)
Total current assets	3,838,853	3,545,789
Non current assets		
Tangible fixed assets		
Buildings and equipments	344,334	352,813
Accumulated depreciation	(166,591)	(179,339)
Net buildings and equipment	177,743	173,474
Machinery and delivery equipments	117,315	126,386
Accumulated depreciation	(86,815)	(95,684)
Net machinery and delivery equipments	30,499	30,701
Lands	71,100	71,100
Other tangible fixed assets	253,882	302,557
Accumulated depreciation	(188,936)	(222,415)
Net other tangible fixed assets	64,946	80,141
Total tangible fixed assets	344,290	355,417
Intangible fixed assets		
Softwares	27,701	18,228
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	35,210	25,736
Investments		
Investments securities	170,021	249,747
Deferred tax assets	362,553	344,727
Net investments in real estates	364,833	358,543
Insurance funds	472,514	557,159
Other investments	150,503	151,646
Allowance for doubtful accounts	(4,122)	(4,537)
Total investments	1,516,303	1,657,287
Total non current assets	1,895,804	2,038,442
Total assets	5,734,657	5,584,231

	December 31, 2022	December 31, 2023
(Liabilities)		
Current liabilities		
Accounts payable	56,084	49,153
Income taxes payable	79,035	13,660
Contract liabilities	822,790	794,533
Other current liabilities	290,217	219,133
Total current liabilities	1,248,128	1,076,481
Non current liabilities		
Provision for share-based remuneration for directors	19,513	24,800
Net defined benefit liability	1,098,548	1,117,934
Other non current liabilities	227,639	238,735
Total non current liabilities	1,345,701	1,381,470
Total liabilities	2,593,830	2,457,952
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,413,774	2,357,329
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,920,884	2,864,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,310	121,358
Foreign currency translation adjustments	58,898	88,253
Total accumulated other comprehensive income	124,208	209,612
Non-controlling interests	95,733	52,227
Total net assets	3,140,827	3,126,279
Total liabilities and net assets	5,734,657	5,584,231

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2023

(in thousand Yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Sales	4,421,526	3,826,057
Costs of goods sold	1,669,640	1,320,150
Gross profit	2,751,885	2,505,906
Selling, general and administrative expenses	2,296,525	2,415,112
Operating income	455,360	90,793
Other income		
Interest received and dividends income	4,780	8,244
Rent income	94,183	99,347
Insurance premiums refunded cancellation	-	25,962
Other	25,451	9,341
Total other income	124,416	142,895
Other expenses		
Interest expense	267	978
Maintenance of investment properties	67,376	75,203
Other	115	6,707
Total other expenses	67,759	82,889
Ordinary income	512,017	150,800
Income before income taxes	512,017	150,800
Income tax expense - current	150,535	78,913
Income tax expense - deferred	1,127	(5,594)
Total income tax expense	151,662	73,319
Net income	360,355	77,481
Profit attributable to non-controlling interests	66,598	9,108
Profit attributable to owners of parent	293,757	68,372

	For the year ended December 31, 2022	For the year ended December 31, 2023
Net income	360,355	77,481
Other comprehensive Income		
Valuation difference on available-for-sale securities	6,786	56,048
Foreign currency translation adjustment	50,466	33,601
Total other comprehensive income	57,253	89,649
Total comprehensive income	417,608	167,130
Total Comprehensive Income attributable to:		
Owners of the parent	341,855	153,776
Non-controlling interests	75,752	13,354

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries
For the year ended December 31, 2023

(in thousand Yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from operating activities		
Income before income taxes and minority interests	512,017	150,800
Depreciation	52,963	70,008
Increase and decrease in allowance for doubtful account	(4,535)	492
Increase in provision for share-based remuneration for directors	5,248	5,286
Increase in net defined benefit liability	30,638	18,031
Interests and dividend income	(4,780)	(8,244)
Interest expense	267	978
Rent income	(94,183)	(99,347)
Surrender value of insurance	-	(25,962)
Other income and expences	60,739	68,913
Increase and decrease in notes and accounts receivable, and contract assets	(58,998)	109,834
Increase and decrease in inventories	61,983	(1,451)
Decrease in accounts payable	(45,208)	(8,359)
Decrease in contract liabilities	(6,261)	(40,365)
Increase and decrease in accrued liabilities	33,942	(27,038)
Others	6,104	(5,872)
Subtotal	549,936	207,703
Interest and dividends received	4,780	8,244
Interest paid	(267)	(978)
Proceeds from rent income	94,183	99,347
Income taxes paid	(176,044)	(155,959)
Others	(60,739)	(68,972)
Net cash provided by (used in) operating activities	411,848	89,384

	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from investing activities		
Payment into time deposits	(462,200)	(418,610)
Repayment of the time deposit	462,200	418,610
Investments in tangible fixed assets	(51,722)	(75,325)
Proceeds from sales of tangible fixed assets	17	-
Investments in intangible fixed assets	(228)	-
Payments for lease and guarantee deposits	(28,756)	(5,403)
Proceeds from collection of lease and guarantee deposits	17,172	4,860
Purchase of insurance funds	(17,168)	(122,172)
Proceeds from maturity of insurance funds	-	63,489
Net cash provided by (used in) investing activities	(80,685)	(134,550)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from financing activities		
Repayment of finance lease debt	(657)	(331)
Dividends paid	(96,427)	(124,750)
Dividends paid for non-controlling interests	(42,030)	(54,783)
Net cash provided by (used in) financing activities	(139,115)	(179,864)
Effect of exchange rate changes on cash and cash equivalents	52,587	32,723
Net increase in cash and cash equivalents	244,635	(192,307)
Cash and cash equivalents at beginning of period	2,720,201	2,964,836
Cash and cash equivalents at end of period	2,964,836	2,772,529