

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

As of June 30, 2021, and December 31, 2020

(in thousand Yen)

	December 31, 2020	June 30, 2021
(Assets)		
Current assets		
Cash and bank deposits	2,503,310	2,637,569
Notes and accounts receivable	306,936	358,130
Electronically recorded monetary claims-operating	193,745	241,991
Inventories	89,814	90,915
Other current assets	157,743	173,616
Allowance for doubtful accounts	(808)	(995)
Total current assets	3,250,742	3,501,227
Non current assets		
Tangible fixed assets	288,281	283,042
Intangible fixed assets	21,103	18,143
Investments		
Investments securities	118,100	119,918
Net investments in real estates	378,474	374,972
Insurance funds	448,633	451,989
Other investments	470,803	488,060
Allowance for doubtful accounts	(4,362)	(4,362)
Total investments	1,411,650	1,430,578
Total non current assets	1,721,034	1,731,764
Total assets	4,971,777	5,232,991

	December 31, 2020	June 30, 2021
(Liabilities)		
Current liabilities		
Accounts payable	56,724	61,532
Short-term loans payable	12,181	16,580
Income taxes payable	44,325	100,486
Advances from customers	751,045	841,772
Other current liabilities	192,818	177,407
Total current liabilities	1,057,095	1,197,780
Non current liabilities		
Provision for share-based remuneration for officers	9,066	11,665
Net defined benefit liability	1,017,536	1,033,286
Other non current liabilities	268,243	262,154
Total non current liabilities	1,294,846	1,307,107
Total liabilities	2,351,941	2,504,887
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,064,352	2,157,467
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,571,462	2,664,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,043	14,180
Foreign currency translation adjustments	(2,029)	11,557
Total accumulated other comprehensive income	8,014	25,737
Non-controlling interests	40,359	37,788
Total net assets	2,619,836	2,728,103
Total liabilities and net assets	4,971,777	5,232,991

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2021

(in thousand Yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Sales	1,976,271	1,925,499
Costs of goods sold	756,992	688,820
Gross profit	1,219,278	1,236,678
Selling, general and administrative expenses	1,078,428	1,044,683
Operating income	140,850	191,995
Other income		
Interest received and dividends income	2,958	2,454
Rent income	46,565	46,936
Other	5,666	38,232
Total other income	55,189	87,624
Other expenses		
Interest expense	140	207
Loss on valuation of investment securities	62,923	267
Maintenance of investment properties	35,933	36,095
Other	852	40
Total other expenses	99,850	36,611
Ordinary income	96,190	243,008
Net income before income taxes and minority interests	96,190	243,008
Income tax expense - current	52,252	86,278
Income tax expense - deferred	(10,468)	(12,253)
Total income tax expense	41,784	74,024
Net income	54,405	168,983
Profit and losses attributable to non-controlling interests	19,811	8,658
Profit attributable to owners of parent	34,594	160,325

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Net income	54,405	168,983
Other comprehensive income		
Valuation difference on available-for-sale securities	40,725	4,136
Foreign currency translation adjustment	(9,800)	15,785
Total other comprehensive income	30,925	19,921
Total comprehensive income	85,331	188,905
Total comprehensive income attributable to:		
Owners of the parent	66,720	178,047
Non-controlling interests	18,610	10,857

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the six months ended June 30, 2021

(in thousand Yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from operating activities		
Income before income taxes and minority interests	96,190	243,008
Depreciation	24,649	22,561
Increase and decrease in allowance for doubtful account	(257)	187
Increase and decrease in share-based remuneration for officers	2,591	2,599
Increase and decrease in net defined benefit liability	41,445	15,750
Interests and dividend income	(2,958)	(2,454)
Interest expense	140	207
Rent income	(46,565)	(46,936)
Other income and expences	32,222	32,593
Loss (gain) on valuation of investment securities	62,923	267
Increase and decrease in notes and accounts receivable	150,485	(96,816)
Increase and decrease in inventories	46,324	3,330
Increase and decrease in accounts payable	(277)	996
Increase and decrease in advances from customers	29,936	75,122
Increase and decrease in accrued liabilities	(3,569)	2,067
Others	(1,828)	(68,108)
Subtotal	431,451	184,378
Interest and dividends received	2,958	2,450
Interest paid	(140)	(207)
Proceeds from rent income	46,565	46,936
Income taxes paid	(72,292)	(17,809)
Proceeds from insurance income	—	10,000
Others	(32,222)	(32,593)
Net cash provided by (used in) operating activities	376,320	193,154

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from investing activities		
Payment into time deposits	(153,090)	(188,880)
Repayment of the time deposit	148,600	84,680
Investments in tangible fixed assets	(15,755)	(7,540)
Investments in intangibles	(320)	—
Purchase of investment securities	(49,848)	—
Proceeds from sales of investment securities	2,426	—
Proceeds from sales of membership	—	72
Payments of long-term loans receivable	—	(5,000)
Payments for lease and guarantee deposits	(1,135)	(1,113)
Proceeds from collection of lease and guarantee deposits	2,705	3,229
Purchase of insurance funds	(3,356)	(3,356)
Net cash provided by (used in) investing activities	(69,773)	(117,908)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from financing activities		
Increase in short-term loans payable	12,680	16,580
Repayment of finance lease debt	(321)	(324)
Dividends paid	(95,895)	(67,714)
Dividends paid to non-controlling interests	(15,349)	(13,428)
Net cash provided by (used in) financing activities	(98,886)	(64,886)
Effect of exchange rate changes on cash and cash equivalents	(2,983)	19,700
Net increase (decrease) in cash and cash equivalents	204,676	30,059
Cash and cash equivalents at beginning of period	2,209,454	2,468,081
Cash and cash equivalents at end of period	2,414,130	2,498,140