

Consolidated Balance Sheets

C&G SYSTEMS INC. and consolidated subsidiaries

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

(in thousand Yen)

	December 31, 2020	December 31, 2021
(Assets)		
Current assets		
Cash and bank deposits	2,503,310	2,755,201
Notes and accounts receivable	306,936	273,981
Electronically recorded monetary claims-operating	193,745	251,332
Inventories	89,814	89,356
Other current assets	157,743	213,189
Allowance for doubtful accounts	(808)	(4,415)
Total current assets	3,250,742	3,578,646
Non current assets		
Tangible fixed assets		
Buildings and equipments	281,306	283,300
Accumulated depreciation	(153,267)	(163,676)
Net buildings and equipment	128,038	119,624
Machinery and delivery equipments	87,318	95,848
Accumulated depreciation	(60,698)	(68,739)
Net machinery and delivery equipments	26,619	27,109
Lands	71,100	71,100
Other tangible fixed assets	208,830	225,224
Accumulated depreciation	(146,306)	(168,593)
Net other tangible fixed assets	62,523	56,630
Total tangible fixed assets	288,281	274,464
Intangible fixed assets		
Softwares	13,594	16,687
Other intangible fixed assets	7,508	7,508
Total intangible fixed assets	21,103	24,196
Investments		
Investments securities	118,100	170,007
Deferred tax assets	337,529	356,643
Net investments in real estates	378,474	371,470
Insurance funds	448,633	455,346
Other investments	133,273	138,618
Allowance for doubtful accounts	(4,362)	(4,349)
Total investments	1,411,650	1,487,735
Total non current assets	1,721,034	1,786,396
Total assets	4,971,777	5,365,043

	December 31, 2020	December 31, 2021
(Liabilities)		
Current liabilities		
Accounts payable	56,724	95,207
Short-term loans payable	12,181	—
Income taxes payable	44,325	104,264
Advances from customers	751,045	766,405
Asset retirement obligation	—	3,212
Other current liabilities	192,818	195,141
Total current liabilities	1,057,095	1,164,231
Non current liabilities		
Provision for share-based remuneration for directors	9,066	14,265
Net defined benefit liability	1,017,536	1,066,564
Other non current liabilities	268,243	258,718
Total non current liabilities	1,294,846	1,339,548
Total liabilities	2,351,941	2,503,780
(Net assets)		
Shareholders' equity		
Capital stock	500,000	500,000
Additional paid-in capital	125,000	125,000
Retained earnings	2,064,352	2,216,031
Treasury stock	(117,889)	(117,889)
Total shareholders' equity	2,571,462	2,723,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,043	58,524
Foreign currency translation adjustments	(2,029)	17,586
Total accumulated other comprehensive income	8,014	76,110
Non-controlling interests	40,359	62,010
Total net assets	2,619,836	2,861,262
Total liabilities and net assets	4,971,777	5,365,043

Consolidated Statements of Income

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2021

(in thousand Yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Sales	3,684,797	3,744,841
Costs of goods sold	1,348,573	1,358,411
Gross profit	2,336,224	2,386,430
Selling, general and administrative expenses	2,143,987	2,109,889
Operating income	192,236	276,541
Other income		
Interest received and dividends income	3,341	2,848
Rent income	93,746	94,277
Gain on forgiveness of debts	—	32,476
Other	15,336	40,269
Total other income	112,425	169,872
Other expenses		
Interest expense	392	375
Loss on valuation of investment securities	65,739	267
Maintenance of investment properties	69,357	68,271
Other	13,480	40
Total other expenses	148,969	68,954
Ordinary income	155,692	377,459
Income before income taxes	155,692	377,459
Income tax expense - current	88,650	149,841
Income tax expense - deferred	(16,457)	(22,812)
Total income tax expense	72,193	127,028
Net income	83,499	250,430
Profit attributable to non-controlling interests	23,047	31,541
Profit attributable to owners of parent	60,451	218,889

	For the year ended December 31, 2020	For the year ended December 31, 2021
Net income	83,499	250,430
Other comprehensive Income		
Valuation difference on available-for-sale securities	53,603	48,480
Foreign currency translation adjustment	(18,934)	23,153
Total other comprehensive income	34,669	71,633
Total comprehensive income	118,168	322,064
Total Comprehensive Income attributable to:		
Owners of the parent	97,630	286,984
Non-controlling interests	20,537	35,080

Consolidated Statements of Cash Flows

C&G SYSTEMS INC. and consolidated subsidiaries

For the year ended December 31, 2021

(in thousand Yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Cash flows from operating activities		
Income before income taxes and minority interests	155,692	377,459
Depreciation	51,961	48,265
Increase in allowance for doubtful account	69	3,594
Increase in provision for share-based remuneration for directors	5,191	5,199
Increase in net defined benefit liability	73,710	49,058
Interests and dividend income	(3,341)	(2,848)
Interest expense	392	375
Rent income	(93,746)	(94,277)
Loss on valuation of investment securities	65,739	267
Gain on forgiveness of debt	–	(32,476)
Other income and expences	61,958	61,266
Increase and decrease in notes and accounts receivable	229,478	(20,390)
Decrease in inventories	24,074	7,665
Increase and decrease in accounts payable	(6,815)	33,322
Increase and decrease in advances from customers	711	(4,724)
Increase and decrease in accrued liabilities	(3,033)	8,741
Others	27,065	(53,691)
Subtotal	589,107	386,806
Interest and dividends received	3,342	2,848
Interest paid	(415)	(375)
Proceeds from insurance income	–	10,000
Proceeds from rent income	93,746	94,277
Income taxes paid	(131,188)	(92,594)
Others	(61,958)	(61,266)
Net cash provided by (used in) operating activities	492,633	339,695

	For the year ended December 31, 2020	For the year ended December 31, 2021
Cash flows from investing activities		
Payment into time deposits	(269,122)	(275,250)
Repayment of the time deposit	355,120	275,478
Investments in tangible fixed assets	(42,300)	(23,251)
Proceeds from sales of tangible fixed assets	1,050	–
Investments in intangible fixed assets	(620)	(16,940)
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	(5,596)	(5,404)
Proceeds from collection of lease and guarantee deposits	4,234	4,613
Purchase of insurance funds	(6,713)	(6,713)
Net cash provided by (used in) investing activities	(11,368)	(52,395)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Cash flows from financing activities		
Increase in short-term loans payable	12,181	18,939
Redemption of bonds	(100,000)	–
Repayment of finance lease debt	(644)	(651)
Dividends paid	(96,021)	(67,852)
Dividends paid for non-controlling interests	(25,196)	(13,428)
Net cash provided by (used in) financing activities	(209,681)	(62,992)
Effect of exchange rate changes on cash and cash equivalents	(12,957)	27,812
Net increase and decrease in cash and cash equivalents	258,626	252,120
Cash and cash equivalents at beginning of period	2,209,454	2,468,081
Cash and cash equivalents at end of period	2,468,081	2,720,201