

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 28, 2023

Company name: I S B CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 9702 URL <https://www.isb.co.jp/>
 Representative: President Kazufumi Wakao
 Director,
 Inquiries: Executive General Manager, Administrative Yoichi Takeda TEL 03-3490-1761
 Headquarters
 Scheduled date of ordinary general meeting of shareholders: March 30, 2023
 Scheduled date to file Securities Report: March 30, 2023
 Scheduled date to commence dividend payments: March 31, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2022	28,952	10.6	2,319	24.0	2,401	23.7	1,423	28.3
Year ended December 31, 2021	26,176	7.1	1,869	13.7	1,940	13.3	1,110	11.6

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2022	125.12	–	26.7	15.6	8.0
Year ended December 31, 2021	97.77	–	12.1	13.9	7.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	16,458	10,682	64.9	938.03
As of December 31, 2021	14,361	9,557	66.6	841.13

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2022	1,926	(73)	(341)	7,626
Year ended December 31, 2021	1,457	(202)	(402)	6,071

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2021	–	0.00	–	30.00	30.00	340	30.7	3.6
Year ended December 31, 2022	–	0.00	–	40.00	40.00	455	32.0	4.3
Year ending December 31, 2023 (Forecast)	–	0.00	–	38.00	38.00		30.4	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2023	14,500	2.3	1,000	(9.6)	1,000	(11.8)	550	(20.8)	48.29
Full year	30,000	3.6	2,400	3.5	2,430	1.2	1,440	1.1	126.44

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	11,388,716 shares	As of December 31, 2021	11,363,159 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	112 shares	As of December 31, 2021	112 shares
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Average number of shares during the period

Year ended December 31, 2022	11,380,622 shares	Year ended December 31, 2021	11,355,720 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	6,074,660	7,629,247
Notes and accounts receivable - trade	4,962,481	–
Notes and accounts receivable - trade, and contract assets	–	5,420,235
Prepaid expenses	143,239	149,276
Merchandise	265,733	726,140
Work in process	81,042	–
Supplies	1,604	1,675
Other	119,739	144,870
Allowance for doubtful accounts	(35,345)	(37,364)
Total current assets	11,613,155	14,034,081
Non-current assets		
Property, plant and equipment		
Buildings and structures	490,913	496,278
Accumulated depreciation and impairment	(295,127)	(301,898)
Buildings and structures, net	195,785	194,380
Land	600,550	600,550
Other	667,618	800,767
Accumulated depreciation and impairment	(472,878)	(591,319)
Other, net	194,740	209,447
Total property, plant and equipment	991,076	1,004,378
Intangible assets		
Goodwill	711,908	355,954
Other	44,411	38,950
Total intangible assets	756,320	394,904
Investments and other assets		
Investment securities	468,342	397,791
Long-term prepaid expenses	6,601	6,454
Guarantee deposits	293,330	319,054
Deferred tax assets	150,775	246,079
Other	82,152	55,937
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,001,202	1,025,317
Total non-current assets	2,748,598	2,424,600
Total assets	14,361,754	16,458,681

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,635,335	2,067,088
Short-term borrowings	120,000	120,000
Accounts payable - other	1,063,210	1,239,505
Accrued expenses	102,563	85,213
Contract liabilities	–	196,055
Income taxes payable	448,664	769,582
Accrued consumption taxes	401,042	375,858
Provision for bonuses	28,076	28,836
Provision for bonuses for directors (and other officers)	17,395	22,895
Provision for loss on orders received	16	3,088
Other	407,572	323,263
Total current liabilities	4,223,878	5,231,386
Non-current liabilities		
Retirement benefit liability	236,485	237,548
Provision for retirement benefits for directors (and other officers)	53,430	54,034
Asset retirement obligations	82,361	89,686
Deferred tax liabilities	43,620	–
Other	164,163	163,211
Total non-current liabilities	580,061	544,481
Total liabilities	4,803,939	5,775,867
Net assets		
Shareholders' equity		
Share capital	2,346,932	2,361,512
Capital surplus	2,951,111	2,965,691
Retained earnings	4,117,861	5,218,072
Treasury shares	(92)	(92)
Total shareholders' equity	9,415,812	10,545,183
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	156,646	105,138
Foreign currency translation adjustment	(14,644)	32,491
Total accumulated other comprehensive income	142,002	137,630
Total net assets	9,557,814	10,682,814
Total liabilities and net assets	14,361,754	16,458,681

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	26,176,541	28,952,996
Cost of sales	19,880,770	21,997,289
Gross profit	6,295,770	6,955,706
Selling, general and administrative expenses	4,425,779	4,636,447
Operating profit	1,869,991	2,319,258
Non-operating income		
Interest income	10,527	15,496
Dividend income	39,144	13,584
Gain on sale of investment securities	–	17,488
Dividend income of insurance	37,172	31,354
Surrender value of insurance policies	–	14,403
Other	21,031	19,624
Total non-operating income	107,875	111,952
Non-operating expenses		
Interest expenses	862	748
Share issuance costs	475	476
Loss on sale of notes receivable - trade	2,192	1,888
Foreign exchange losses	–	17,518
Compensation expenses	29,499	–
Loss on cancellation of leases	–	7,122
Other	4,097	2,296
Total non-operating expenses	37,126	30,051
Ordinary profit	1,940,740	2,401,159
Extraordinary income		
Gain on forgiveness of debts	–	190,038
Total extraordinary income	–	190,038
Extraordinary losses		
Fraud related losses	–	196,289
Total extraordinary losses	–	196,289
Profit before income taxes	1,940,740	2,394,908
Income taxes - current	838,380	1,104,290
Income taxes - deferred	(7,917)	(133,325)
Total income taxes	830,463	970,964
Profit	1,110,276	1,423,943
Profit attributable to owners of parent	1,110,276	1,423,943

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	1,110,276	1,423,943
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,678)	(51,507)
Foreign currency translation adjustment	24,879	47,136
Total other comprehensive income	20,200	(4,371)
Comprehensive income	1,130,477	1,419,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,130,477	1,419,572

Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,332,514	2,936,693	3,364,788	(92)	8,633,903
Cumulative effects of changes in accounting policies					
Restated balance	2,332,514	2,936,693	3,364,788	(92)	8,633,903
Changes during period					
Issuance of new shares	14,418	14,418			28,836
Dividends of surplus			(357,203)		(357,203)
Profit attributable to owners of parent			1,110,276		1,110,276
Net changes in items other than shareholders' equity					
Total changes during period	14,418	14,418	753,073	-	781,909
Balance at end of period	2,346,932	2,951,111	4,117,861	(92)	9,415,812

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	161,324	(39,523)	121,801	8,755,704
Cumulative effects of changes in accounting policies				
Restated balance	161,324	(39,523)	121,801	8,755,704
Changes during period				
Issuance of new shares				28,836
Dividends of surplus				(357,203)
Profit attributable to owners of parent				1,110,276
Net changes in items other than shareholders' equity	(4,678)	24,879	20,200	20,200
Total changes during period	(4,678)	24,879	20,200	802,110
Balance at end of period	156,646	(14,644)	142,002	9,557,814

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,346,932	2,951,111	4,117,861	(92)	9,415,812
Cumulative effects of changes in accounting policies			17,157		17,157
Restated balance	2,346,932	2,951,111	4,135,019	(92)	9,432,970
Changes during period					
Issuance of new shares	14,580	14,580			29,160
Dividends of surplus			(340,891)		(340,891)
Profit attributable to owners of parent			1,423,943		1,423,943
Net changes in items other than shareholders' equity					
Total changes during period	14,580	14,580	1,083,052	-	1,112,213
Balance at end of period	2,361,512	2,965,691	5,218,072	(92)	10,545,183

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	156,646	(14,644)	142,002	9,557,814
Cumulative effects of changes in accounting policies				17,157
Restated balance	156,646	(14,644)	142,002	9,574,972
Changes during period				
Issuance of new shares				29,160
Dividends of surplus				(340,891)
Profit attributable to owners of parent				1,423,943
Net changes in items other than shareholders' equity	(51,507)	47,136	(4,371)	(4,371)
Total changes during period	(51,507)	47,136	(4,371)	1,107,841
Balance at end of period	105,138	32,491	137,630	10,682,814

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,940,740	2,394,908
Depreciation	105,030	131,523
Amortization of goodwill	451,182	355,954
Increase (decrease) in allowance for doubtful accounts	(1,546)	(2,398)
Increase (decrease) in provision for bonuses	(2,441)	760
Increase (decrease) in provision for bonuses for directors (and other officers)	(58,589)	5,499
Increase (decrease) in provision for loss on orders received	(1,594)	3,072
Increase (decrease) in retirement benefit liability	9,787	286
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3,913	604
Interest and dividend income	(49,671)	(29,080)
Dividend income of insurance	(37,172)	(31,354)
Interest expenses	862	748
Fraud related losses	–	196,289
Loss on cancellation of leases	–	7,122
Compensation expenses	29,499	–
Loss (gain) on sale of investment securities	–	(17,488)
Gain on forgiveness of debt	–	(190,038)
Decrease (increase) in trade receivables	(513,624)	(307,600)
Decrease (increase) in inventories	234,812	(379,435)
Increase (decrease) in trade payables	213,331	430,361
Increase (decrease) in accounts payable - other	49,641	152,084
Increase (decrease) in accrued consumption taxes	(141,848)	(13,350)
Increase (decrease) in long-term accounts payable - other	(32,071)	–
Decrease (increase) in other current assets	(48,025)	(37,694)
Increase (decrease) in other current liabilities	47,081	27,722
Other, net	18,052	559
Subtotal	2,217,349	2,699,055
Interest and dividends received	49,674	29,080
Insurance amount of dividends received	37,172	31,354
Proceeds from gain on forgiveness of debts	–	190,038
Interest paid	(911)	(748)
Compensation expenses paid	(14,000)	–
Subsidies received	10,000	4,151
Proceeds from insurance income	–	9,500
Spending of fraud related	–	(196,289)
Income taxes paid	(841,789)	(840,016)
Net cash provided by (used in) operating activities	1,457,495	1,926,126

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(148,236)	(115,025)
Purchase of intangible assets	(500)	(6,257)
Purchase of investment securities	(4,275)	(4,553)
Proceeds from sale of investment securities	–	27,837
Proceeds from maturity of insurance funds	–	75,727
Purchase of membership	–	(30,436)
Purchase of long-term prepaid expenses	(4,518)	(2,173)
Other, net	(45,412)	(18,296)
Net cash provided by (used in) investing activities	(202,942)	(73,178)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20,000)	–
Repayments of long-term borrowings	(9,690)	–
Redemption of bonds	(16,000)	–
Repayments of lease liabilities	(1,462)	(1,152)
Dividends paid	(355,705)	(340,050)
Net cash provided by (used in) financing activities	(402,858)	(341,202)
Effect of exchange rate change on cash and cash equivalents	23,863	42,840
Net increase (decrease) in cash and cash equivalents	875,558	1,554,586
Cash and cash equivalents at beginning of period	5,196,122	6,071,680
Cash and cash equivalents at end of period	6,071,680	7,626,267