

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

July 31, 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 to file Quarterly Securities Report: August 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2023	15,919	12.3	1,315	18.9	1,340	18.3	762	9.9
Six months ended June 30, 2022	14,173	10.3	1,106	8.3	1,133	7.7	694	7.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	66.94		–	
Six months ended June 30, 2022	61.07		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	16,352	11,101	67.9
As of December 31, 2022	16,458	10,682	64.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2022	–	0.00	–	40.00	40.00
Year ending December 31, 2023	–	–	–	–	–
Year ending December 31, 2023 (Forecast)	–	–	–	42.00	42.00

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
Full year	31,000	7.1	2,600	12.1	2,645	10.2	1,590	11.7	139.61

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2023	11,417,900 shares	As of December 31, 2022	11,388,716 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	112 shares	As of December 31, 2022	112 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	11,398,923 shares	Six months ended June 30, 2022	11,372,507 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	7,629,247	8,122,756
Notes and accounts receivable - trade, and contract assets	5,420,235	4,841,548
Prepaid expenses	149,276	205,252
Merchandise	726,140	747,893
Supplies	1,675	1,681
Other	144,870	112,602
Allowance for doubtful accounts	(37,364)	(6,118)
Total current assets	14,034,081	14,025,617
Non-current assets		
Property, plant and equipment		
Buildings and structures	496,278	514,517
Accumulated depreciation and impairment	(301,898)	(310,508)
Buildings and structures, net	194,380	204,008
Land	600,550	600,550
Other	800,767	842,849
Accumulated depreciation and impairment	(591,319)	(621,461)
Other, net	209,447	221,388
Total property, plant and equipment	1,004,378	1,025,947
Intangible assets		
Goodwill	355,954	177,977
Other	38,950	33,840
Total intangible assets	394,904	211,817
Investments and other assets		
Investment securities	397,791	446,665
Long-term prepaid expenses	6,454	7,216
Guarantee deposits	319,054	335,552
Deferred tax assets	246,079	239,388
Other	55,937	72,467
Allowance for doubtful accounts	(0)	(11,742)
Total investments and other assets	1,025,317	1,089,549
Total non-current assets	2,424,600	2,327,313
Total assets	16,458,681	16,352,931

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,067,088	1,902,129
Contract liabilities	196,055	143,198
Short-term borrowings	120,000	120,000
Accounts payable - other	1,239,505	1,153,770
Accrued expenses	85,213	98,652
Income taxes payable	769,582	461,607
Accrued consumption taxes	375,858	339,006
Provision for bonuses	28,836	36,276
Provision for bonuses for directors (and other officers)	22,895	27,543
Provision for loss on orders received	3,088	24,631
Other	323,263	376,109
Total current liabilities	5,231,386	4,682,925
Non-current liabilities		
Retirement benefit liability	237,548	254,325
Provision for retirement benefits for directors (and other officers)	54,034	54,528
Asset retirement obligations	89,686	93,634
Other	163,211	166,288
Total non-current liabilities	544,481	568,777
Total liabilities	5,775,867	5,251,703
Net assets		
Shareholders' equity		
Share capital	2,361,512	2,378,921
Capital surplus	2,965,691	2,983,099
Retained earnings	5,218,072	5,525,523
Treasury shares	(92)	(92)
Total shareholders' equity	10,545,183	10,887,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	105,138	139,109
Foreign currency translation adjustment	32,491	74,667
Total accumulated other comprehensive income	137,630	213,777
Total net assets	10,682,814	11,101,228
Total liabilities and net assets	16,458,681	16,352,931

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	14,173,713	15,919,731
Cost of sales	10,740,441	12,049,754
Gross profit	3,433,271	3,869,977
Selling, general and administrative expenses	2,327,057	2,554,275
Operating profit	1,106,213	1,315,701
Non-operating income		
Interest income	6,544	8,352
Dividend income	8,803	8,511
Surrender value of insurance policies	14,403	–
Reversal of allowance for doubtful accounts	–	8,409
Other	2,697	4,797
Total non-operating income	32,449	30,071
Non-operating expenses		
Interest expenses	372	367
Share issuance costs	476	31
Loss on sale of notes receivable - trade	895	1,021
Foreign exchange losses	1,744	3,613
Other	1,841	272
Total non-operating expenses	5,330	5,306
Ordinary profit	1,133,332	1,340,467
Extraordinary losses		
Fraud related losses	–	107,858
Total extraordinary losses	–	107,858
Profit before income taxes	1,133,332	1,232,609
Income taxes - current	456,190	476,566
Income taxes - deferred	(17,378)	(6,952)
Total income taxes	438,812	469,614
Profit	694,520	762,995
Profit attributable to owners of parent	694,520	762,995

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	694,520	762,995
Other comprehensive income		
Valuation difference on available-for-sale securities	(41,475)	33,970
Foreign currency translation adjustment	59,757	42,175
Total other comprehensive income	18,282	76,146
Comprehensive income	712,803	839,141
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	712,803	839,141

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,133,332	1,232,609
Depreciation	69,496	64,773
Amortization of goodwill	177,977	177,977
Increase (decrease) in allowance for doubtful accounts	(656)	(20,078)
Increase (decrease) in provision for bonuses	1,515	5,049
Increase (decrease) in provision for bonuses for directors (and other officers)	12,691	4,648
Increase (decrease) in provision for loss on orders received	593	21,543
Increase (decrease) in retirement benefit liability	7,473	16,361
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(5,135)	494
Interest and dividend income	(15,348)	(16,864)
Interest expenses	372	367
Fraud related losses	–	107,858
Decrease (increase) in trade receivables	188,935	518,222
Decrease (increase) in inventories	(108,233)	(21,758)
Increase (decrease) in trade payables	(11,250)	(166,006)
Increase (decrease) in accounts payable - other	(153,888)	(74,137)
Increase (decrease) in accrued consumption taxes	(117,981)	(32,538)
Decrease (increase) in other current assets	16,142	191
Increase (decrease) in other current liabilities	56,164	46,934
Other, net	(378)	17,251
Subtotal	1,251,821	1,882,897
Interest and dividends received	15,347	16,863
Interest paid	(401)	(394)
Spending of fraud related	–	(107,858)
Income taxes paid	(458,899)	(785,505)
Net cash provided by (used in) operating activities	807,867	1,006,002

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(41,073)	(69,626)
Purchase of intangible assets	(990)	(902)
Purchase of investment securities	(1,629)	(1,559)
Proceeds from maturity of insurance funds	75,727	5,045
Purchase of long-term prepaid expenses	(408)	(2,597)
Purchase of membership	–	(6,545)
Other, net	16,386	(19,322)
Net cash provided by (used in) investing activities	48,012	(95,509)
Cash flows from financing activities		
Repayments of lease liabilities	(592)	(600)
Dividends paid	(339,206)	(453,314)
Net cash provided by (used in) financing activities	(339,799)	(453,915)
Effect of exchange rate change on cash and cash equivalents	53,064	36,932
Net increase (decrease) in cash and cash equivalents	569,145	493,509
Cash and cash equivalents at beginning of period	6,071,680	7,626,267
Cash and cash equivalents at end of period	6,640,825	8,119,776