

A financial results briefing session was held for analysts and institutional investors

On Friday, July 16, 2021, an online financial results briefing was held for analysts and institutional investors for the fiscal year ended May 31, 2021.

(Friday, July 16, 2021, 4:00 p.m. to 5:00 p.m.)

1. Explanation of the Summary of Financial Results for the Fiscal Year Ended May 31, 2021
(Naoya Kyan, Senior Manager, Accounting Group, Business Planning Div.)
2. Explanation of the Overview of Financial Results for the First Half of the Fiscal Year Ended May 31, 2021
(Naoya Kyan, Senior Manager, Accounting Group, Business Planning Div.)
3. Explanation of Business Going Forward (Including the Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022 (Full Year))
(Nobuo Kiji, CEO & President)
4. Explanation of SDG Initiatives
(Nobuo Kiji, CEO & President)
5. Explanation of Initiatives to Increase Corporate Value
(Nobuo Kiji, CEO & President)
6. Q&A

For further details of the discussion and the question-and-answer session, please refer to the attached materials.

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INTER ACTION Corporation Fiscal Year Ended May 31, 2021 (29th Business Year)

Financial Results Briefing Session

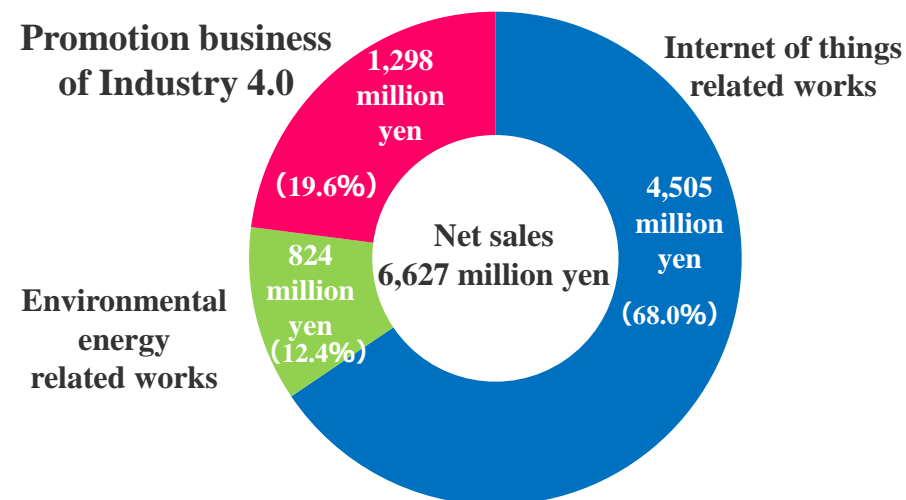
July 16, 2021 (Fri.)



- 1. Summary of Full-Year Financial Results**
 - 2. Overview of Financial Results for the Fiscal Year Ended May 31, 2021**
 - 1) Internet of Things Related Works Segment
 - 2) Environmental Energy Related Works Segment
 - 3) Promotion Business of Industry 4.0 Segment
 - 4) Consolidated Balance Sheets and Consolidated Statements of Income
 - 5) Consolidated Statement of Cash Flows
 - 6) Amount of Orders Received, Net Sales, Backlog of Orders
 - 3. Business Going Forward**
 - 4. SDG Initiatives**
 - 5. Initiatives to Increase Corporate Value**
- Appendix: Company Profile**

1. Summary of Full-Year Financial Results

1. Summary of Full-Year Financial Results



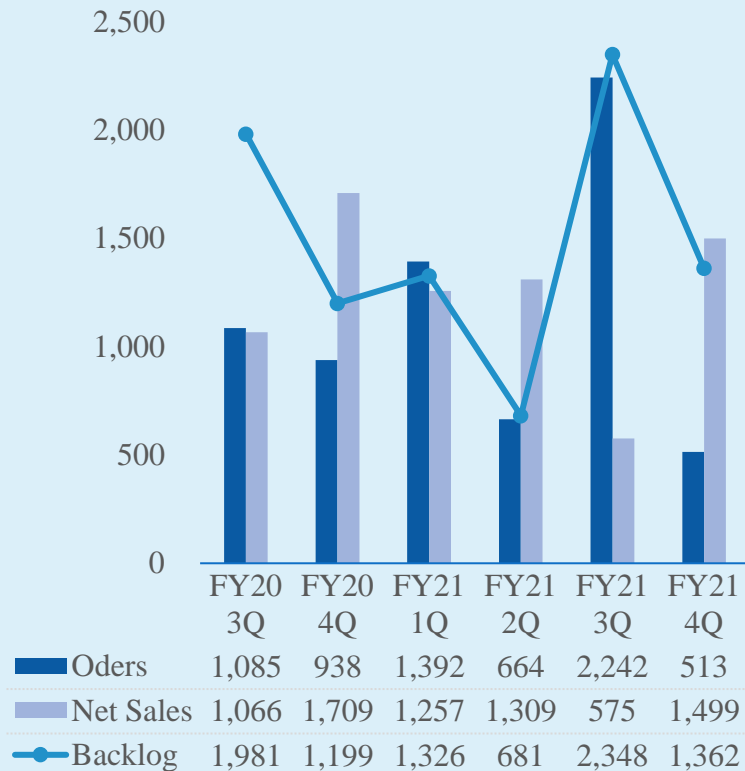
(Millions of yen)	FY2020	FY2021	Change YoY
Net sales	7,083	6,627	(6.4%)
Operating income	1,555	1,751	12.6%
Ordinary income	1,545	1,748	13.1%
Profit attributable to owners of parent	1,004	1,159	15.4%
Profit per share	91.94 yen	105.61 yen	-
ROE	13.2%	13.7%	-
ES	7.0%	7.5%	-

- Net sales were down year-on-year as major customers were taking a cautious stance toward capital investment due largely to trade friction between the US and China.
- Earnings increased year-on-year reflecting strong sales of comparatively high-profit-margin products in the internet of things related works segment.
- The promotion business of Industry 4.0 segment recorded year-on-year decreases in both net sales and earnings. This result however is attributable in part to expenses contributing to future growth, such as costs for improvement of existing products and development of new products. During the fiscal year under review, we pushed forward in developing various new products and building up operational structure that would lead to sales growth in the future. Of note is the FA image processing equipment for which we obtained initial orders.

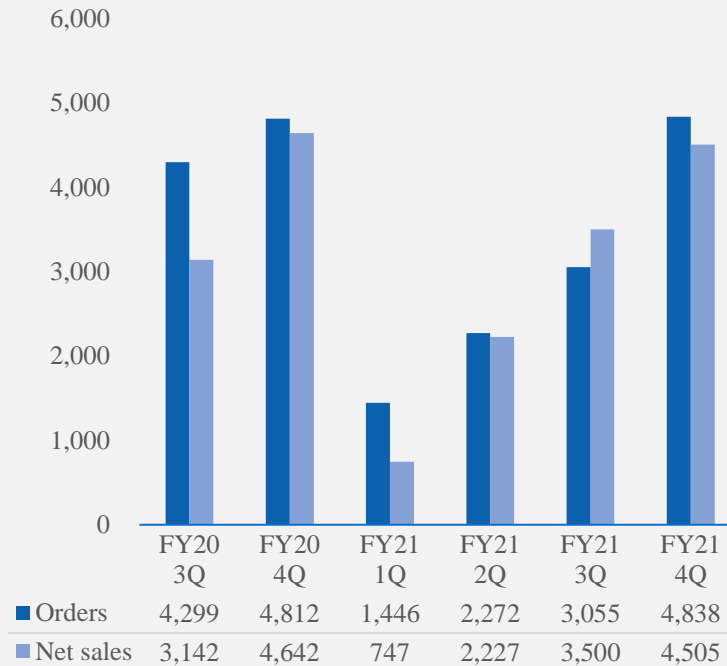
1) Internet of Things Related Works Segment

- Illuminators for Japanese customers saw a decline in sales due to the impact of trade friction between the US and China, resulting in lower net sales. Earnings however increased as a result of changes in product mix.
- Illuminators for overseas customers as well as pupil lens modules for Japanese customers both saw strong demand and achieved record net sales.
- Orders were received from new customers in China, for illuminators and pupil lens modules. While it will likely take time for China to be a major market, we will continuously be following up this market.
- With respect to pupil lens modules for major overseas customers, the status remains in a verification phase, although some progress was observed during the fiscal year under review.

Amount of orders received, net sales, backlog of orders (by quarter)



Amount of orders received and net sales (accumulated)



[Main changes in the external environment]

<p>(1) Market environment (±) Japan : Marked recovery in investment intentions from the second half Overseas: Investment intentions remained strong throughout the year → We believe demand for image sensors will remain strong</p>	😊
<p>(2) Social situations (±) Trade friction between the US and China → In Japan, with customers revising their sales strategies and other factors, the impact has presumably eased from the second half → For overseas customers, there may have been a positive impact reflecting largely increased demand from smartphone manufacturers in China</p>	😐
<p>(3) Customer trend (+) Changes in sales strategies of Japanese customers → Bolstered sales to customers in China from the second half, which we believe led to increased demand for pupil lens modules</p>	😊

[Main changes in the internal environment]

<p>(1) Product and service lineup (+) Promotion of product sales expansion → Fresh orders from new customers in China for pupil lens modules</p>	😊
<p>(2) Research and development (+) Pupil lens modules for overseas → Customer verification continues (+) Pushing forward with development of products for next-generation image sensors</p>	😊

Unit: million yen

Unit: million yen

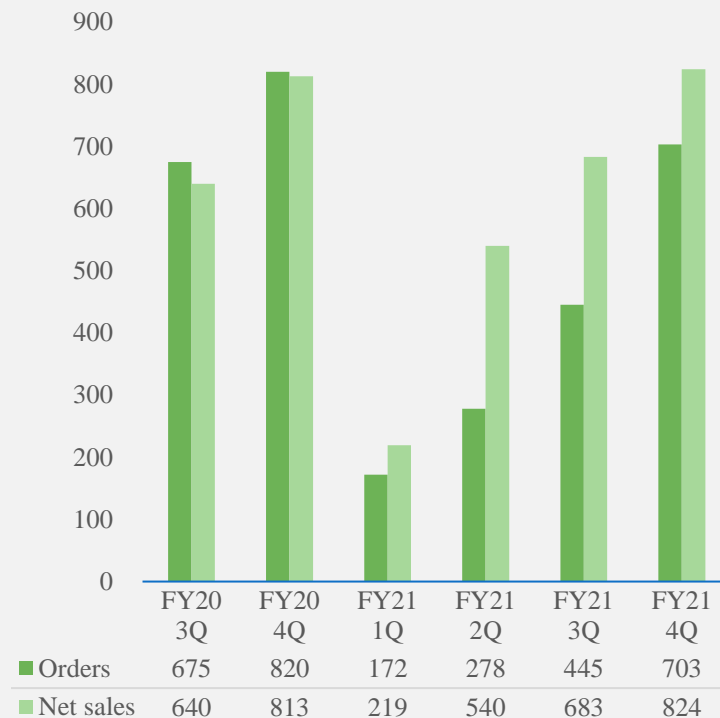
2) Environmental Energy Related Works Segment

- Focused efforts on projects with comparatively high profitability such as maintenance work and large-scale repair work, to achieve year-on-year increases in both net sales and earnings.
- Due to COVID-19, customers became reluctant to make new capital investment in drying deodorizers, resulting in year-on-year declines in orders received and order backlog.
- Pushed forward with development of failure prediction system that uses acoustic emission sensors. Aiming to quickly grow it into a profitable business.

Amount of orders received, net sales, backlog of orders (by quarter)



Amount of orders received and net sales (accumulated)



Unit: million yen

Unit: million yen

[Main changes in the external environment]

(1) Social situations

- (-) Impact of the spread of novel coronavirus infectious disease
 - Reluctance in making new capital investment due to sluggish advertising demand
 - Low demand for main units leading to a decrease in the number of orders received



[Main changes in the internal environment]

(1) Sales approach

- (+) Promotion of maintenance work projects
 - Making proposals such as on upgrades of existing facilities. Emphasis on profits.
 - No competition because it is maintenance of our own products



(2) New product development

- (+) Development of failure prediction system that uses acoustic emission sensors



3) Promotion Business of Industry 4.0 Segment

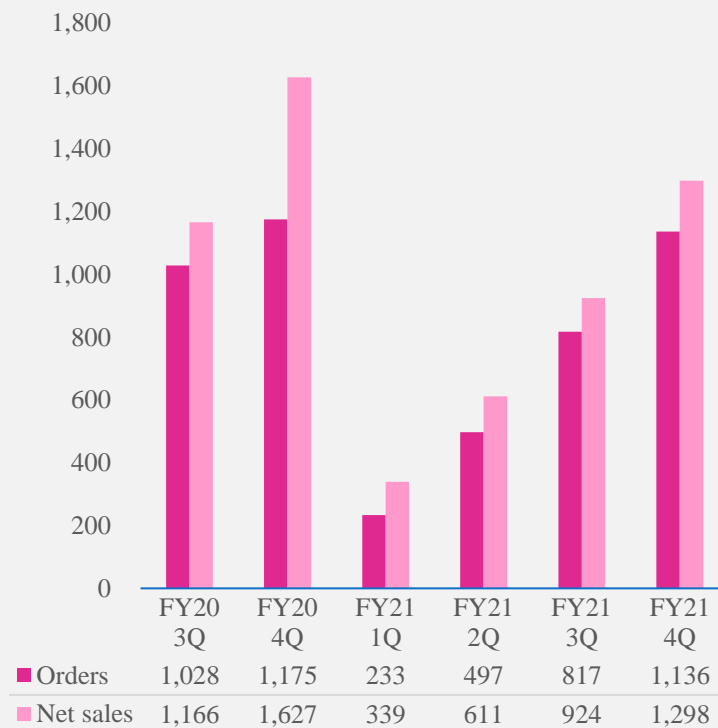
- For the segment as a whole, decreases were recorded in both net sales and earnings due to a slump caused by COVID-19 hitting various industries.
 - Precision vibration isolation systems: While some products enjoyed robust sales in the domestic market, sales of products for overseas customers were weak, resulting in decreases in both net sales and orders received.
 - Gear testing systems: Both net sales and orders received decreased due to a decline in capital investment intentions and restrictions on marketing to overseas customers.
 - FA imaging processing equipment: As a result of presentations at exhibitions and introduction in newspapers, we received many inquiries and were able to secure initial orders.
- Although a segment loss was recorded, this is partly attributable to development initiatives that envisage future growth, such as improvement of existing products and development of new products.

Amount of orders received, net sales, backlog of orders (by quarter)



Unit: million yen

Amount of orders received and net sales (accumulated)



Unit: million yen

[Main changes in the external environment]

(1) Social situations

- (-) Impact of the spread of novel coronavirus infectious disease
 - Subdued capital investment intentions across industries
 - Restrictions on overseas marketing activities



[Main changes in the internal environment]

(1) New businesses, research and development

- (+) Promote development of FA image processing related equipment
 - Obtained initial order for “gear-defect testing systems”
 - Uncovered customers’ needs through strategic partnerships
- (+) Improvement of performance of existing equipment
 - Aiming for release in the second half of the fiscal year ending May 31, 2022



4) Consolidated Balance Sheets and Consolidated Statements of Income

Consolidated balance sheets

(Millions of yen)	Fiscal Year		Fiscal Year	
	Ended May 31, 2020	Ended May 31, 2021	Ended May 31, 2020	Ended May 31, 2021
Assets			Liabilities	
Total assets	10,005	11,564	Total liabilities	2,132 2,526
Current assets	8,575	10,146	Current liabilities	1,645 1,774
Non-current assets	1,430	1,418	Non-current liabilities	487 752
Property, plant and equipment	682	668		
Intangible assets	327	272	Net assets	
Investments and other assets	420	477	Total net assets	7,872 9,038
			Shareholders' equity	
			Capital stock	1,760 1,760
			Capital surplus	3,352 3,352
			Retained earnings	3,870 4,826
			Treasury shares	(1,074) (892)
			Accumulated other comprehensive income	(35) (9)
Total assets	<u>10,005</u>	<u>11,564</u>	Total liabilities and net assets	<u>10,005</u> <u>11,564</u>

Consolidated statements of income

(Millions of yen)	FY2020	FY2021
Actual		
Net sales	7,083	6,627
Cost of sales	3,611	3,184
Gross profit	3,471	3,443
Selling, general and administrative expenses (Note)	1,916	1,691
Operating income	1,555	1,751
Ordinary income	1,545	1,748
Extraordinary income	0	—
Extraordinary losses	78	7
Profit before income taxes	1,467	1,740
Income taxes - current	446	629
Income taxes - deferred	15	(48)
Total income taxes	462	581
Profit	1,004	1,159
Profit attributable to owners of parent	1,004	1,159

Note: Major expenses classified as selling, general and administrative expenses

Research and development expenses	123	61
Amortization of goodwill	52	48

5) Consolidated Statement of Cash Flows

Cash flows from operating activities

2,369 million yen

(Millions of yen)	FY2020	FY2021
Profit before income taxes	1,467	1,740
Decrease (increase) in notes and accounts receivable - trade	215	740
Decrease (increase) in inventories	(61)	52
Increase (decrease) in trade payables	(49)	(112)
Other increase (decrease)	407	261
Subtotal	1,978	2,683
Income taxes paid	(807)	(305)
Net cash provided by (used in) operating activities	1,164	2,369

Cash flows from financing activities

28 million yen

(Millions of yen)	FY2020	FY2021
Net increase (decrease) in short-term borrowings	120	20
Proceeds from long-term borrowings	30	640
Repayments of long-term borrowings	(337)	(367)
Purchase of treasury shares	(1,284)	(0)
Proceeds from sale of treasury shares	981	43
Dividends paid	(199)	(202)
Other increase (decrease)	(68)	(105)
Net cash provided by (used in) financing activities	(758)	28

Cash flows from investing activities

(86) million yen

(Millions of yen)	FY2020	FY2021
Purchase of property, plant and equipment	(164)	(106)
Purchase of intangible assets	(14)	(12)
Purchase of shares of subsidiaries and associates	(100)	—
Other proceeds (payments)	3	32
Net cash provided by (used in) investing activities	(276)	(86)

Cash and cash equivalents at end of FY2021

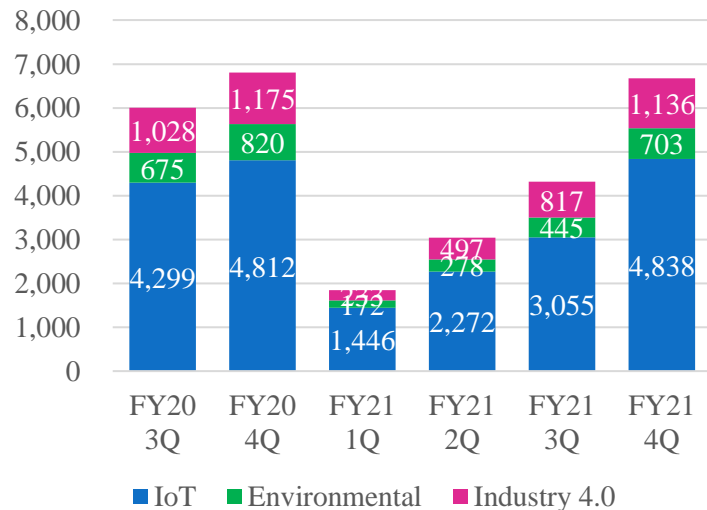
7,211 million yen

(Millions of yen)	FY2020	FY2021
Effect of exchange rate change on cash and cash equivalents	(21)	26
Net increase (decrease) in cash and cash equivalents	107	2,337
Cash and cash equivalents at beginning of period	4,766	4,873
Cash and cash equivalents at end of period	4,873	7,211

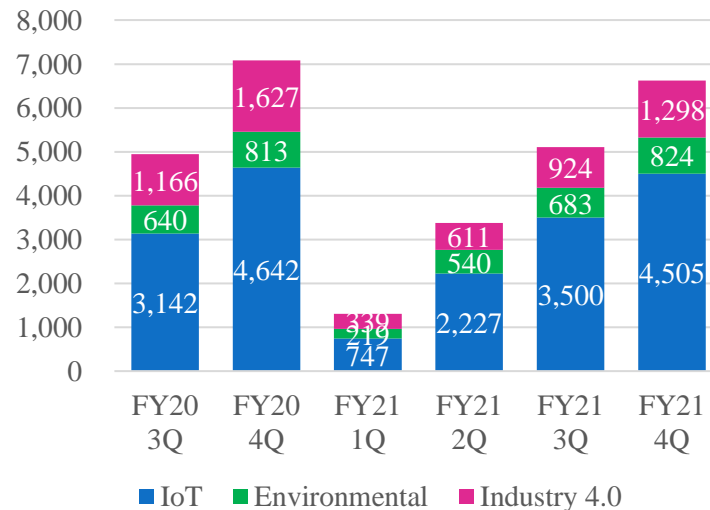
6) Amount of Orders Received, Net Sales, Backlog of Orders

Business segment (Millions of yen)	Amount of orders received		Net sales		Backlog of orders	
	FY2021	Change YoY	FY2021	Change YoY	FY2021	Change YoY
Internet of things related works	4,838	0.5%	4,505	(3.0%)	1,707	25.3%
Environmental energy related works	703	(14.2%)	824	1.3%	276	(28.6%)
Promotion business of Industry 4.0	1,136	(3.3%)	1,298	(20.2%)	115	(1.4%)
Total	6,678	(1.9%)	6,627	(6.4%)	2,100	12.5%

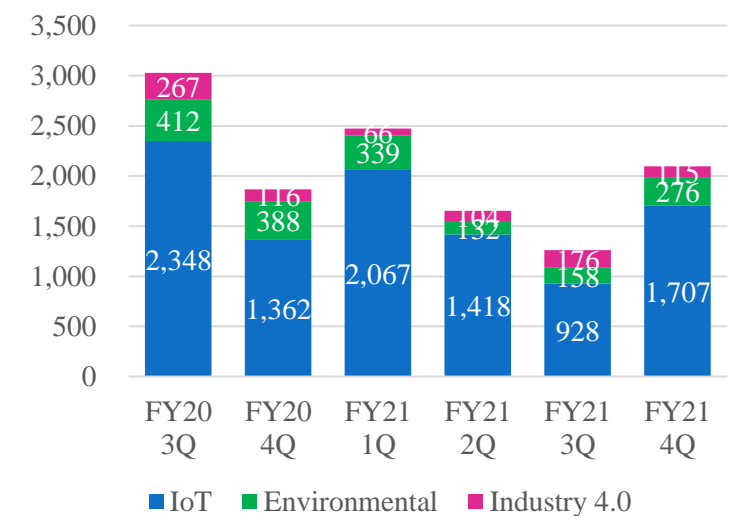
Amount of orders received (quarterly basis; millions of yen)



Net sales (quarterly basis; millions of yen)



Backlog of orders (quarterly basis; millions of yen)

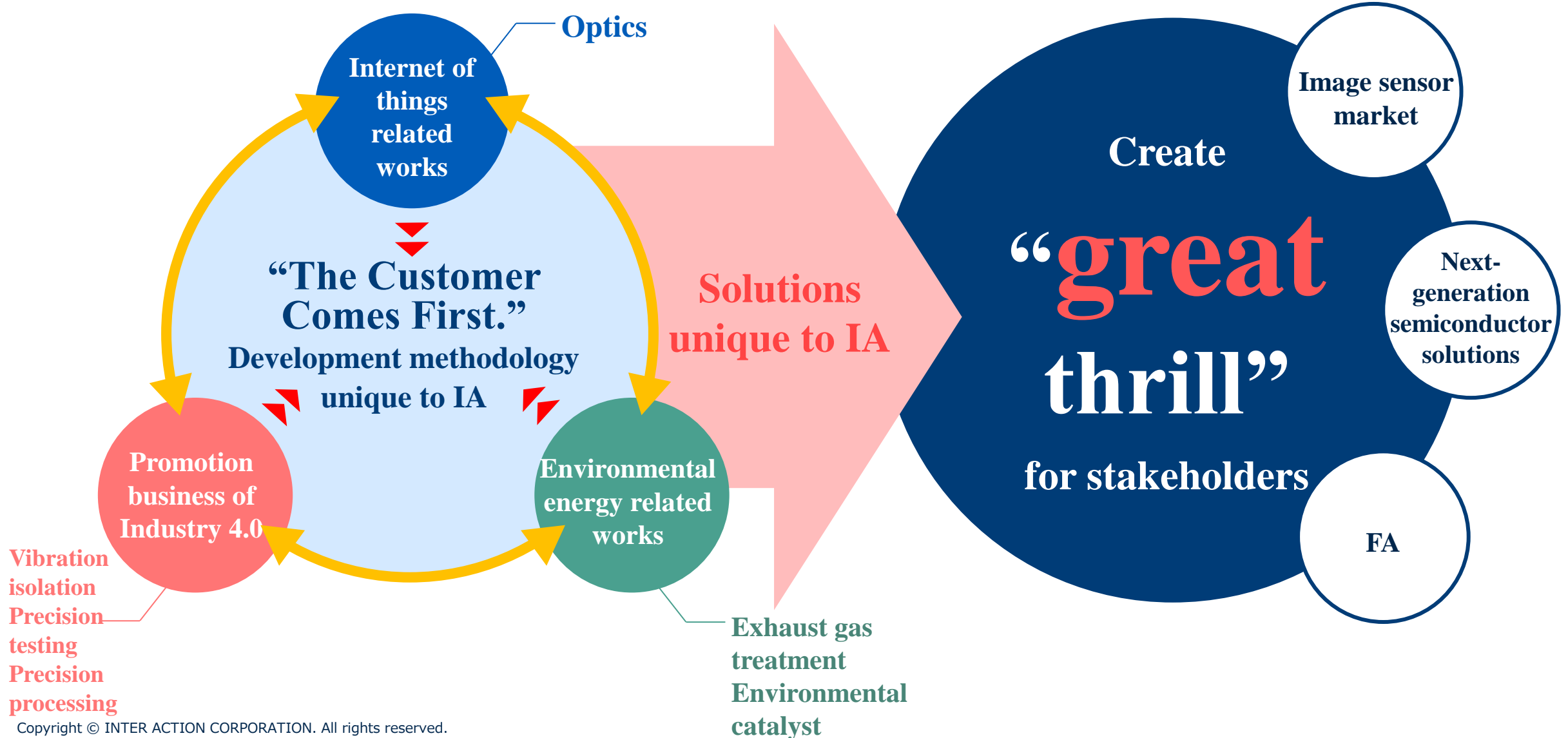


The **three** record highs

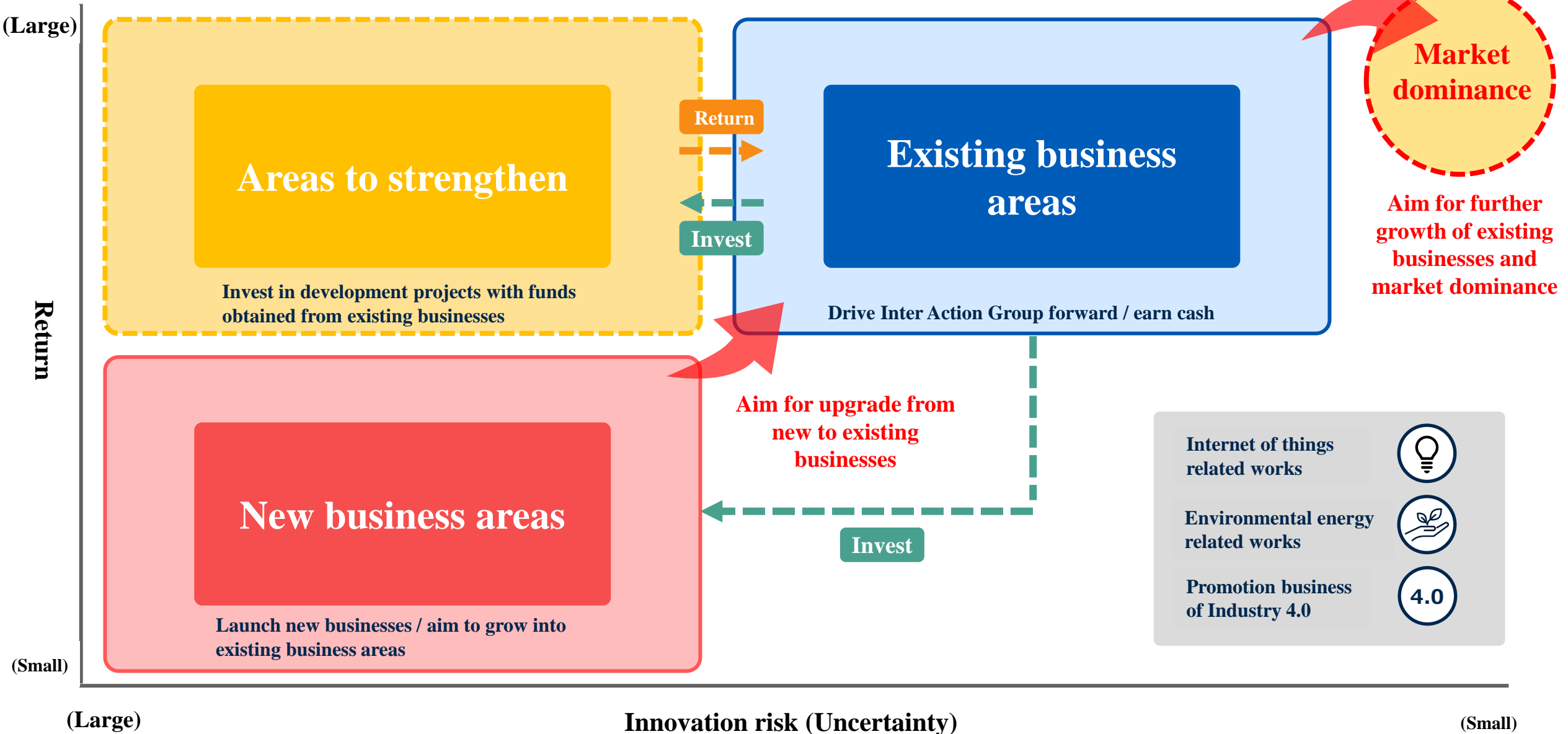
- 1) Net sales of illuminators for overseas customers
- 2) Net sales of pupil lens modules
- 3) Number of R&D projects

3. Business Going Forward: Vision of Inter Action

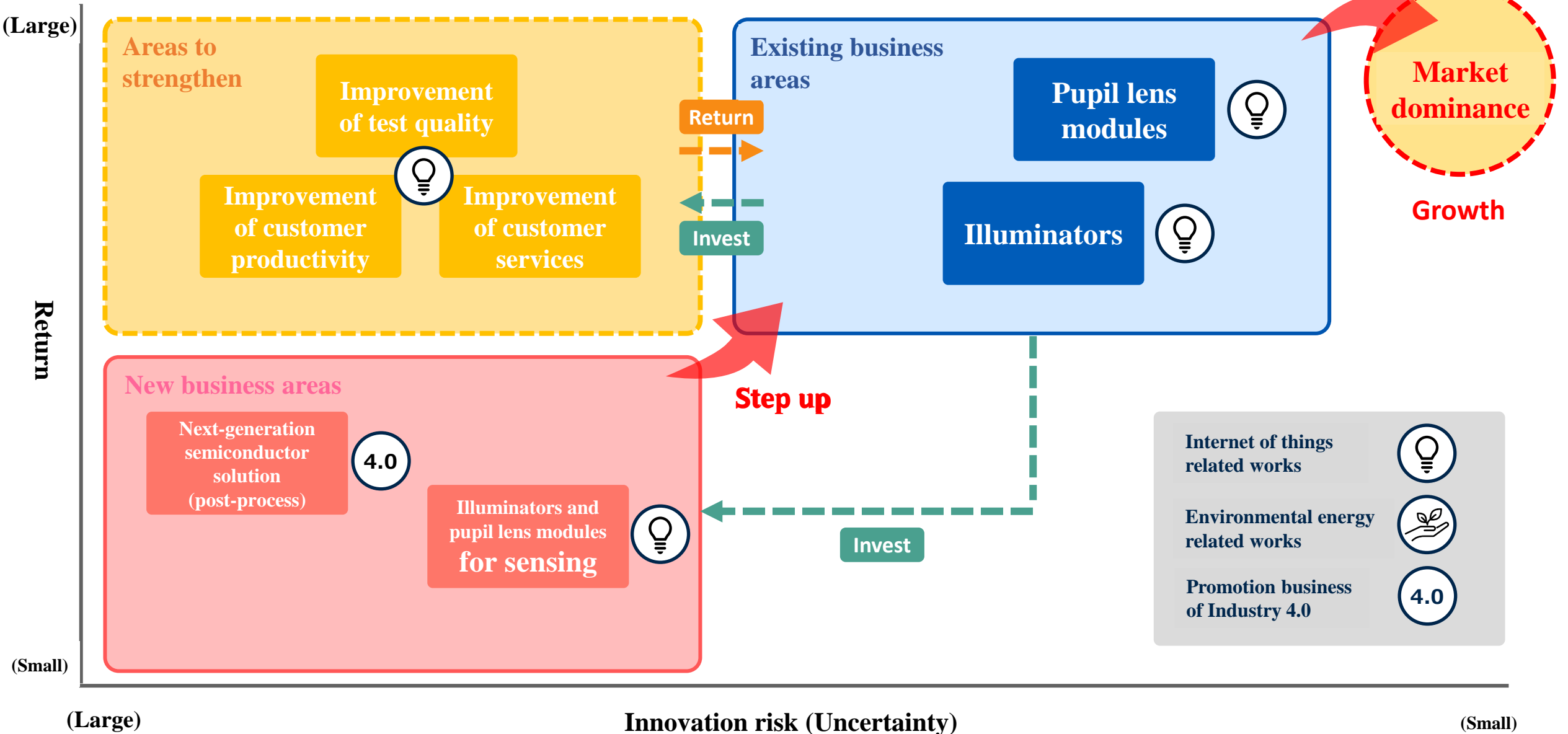
Vision



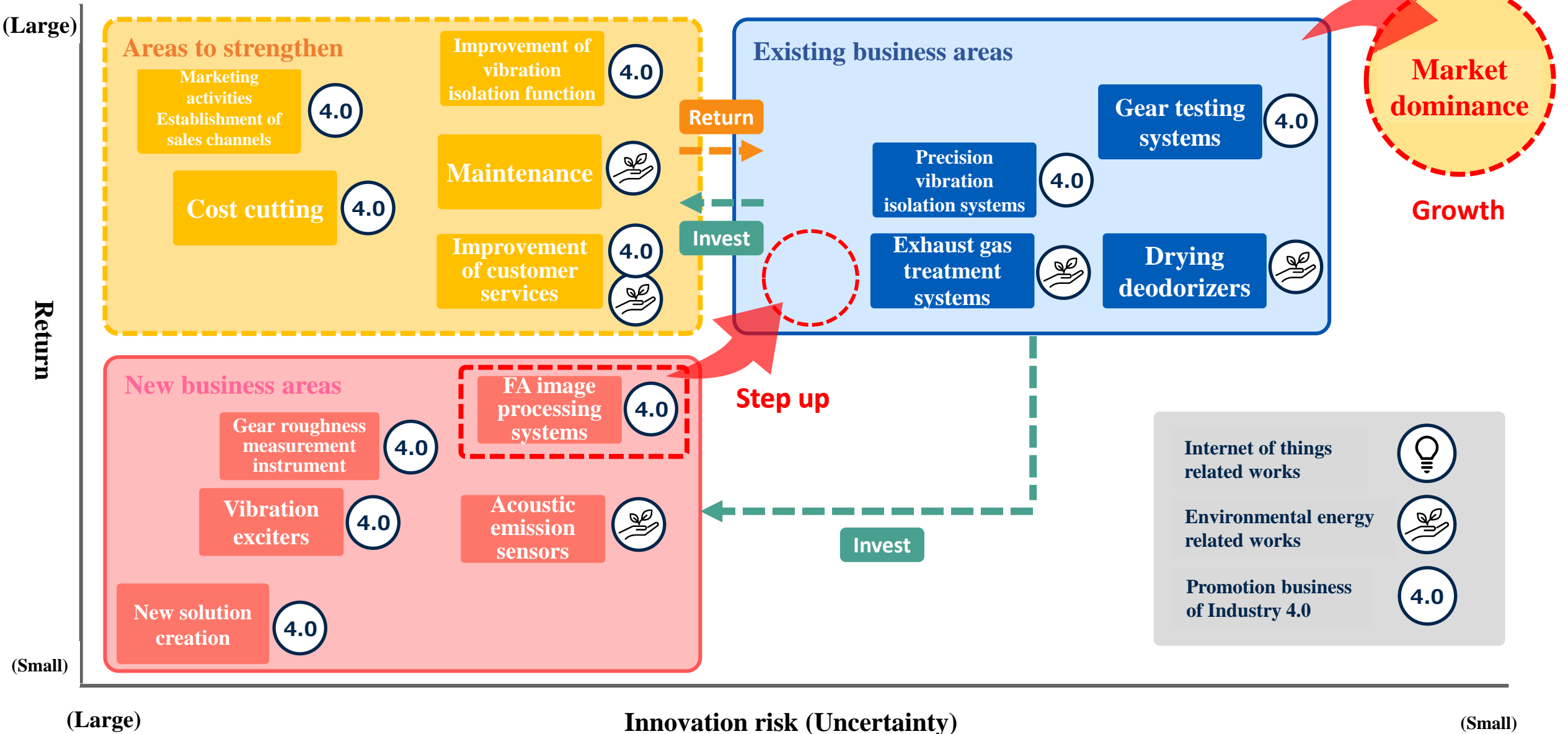
3. Business Going Forward: Business and Product Portfolio



3. Business Going Forward: Priority Businesses And Products To Be Strengthened






3. Business Going Forward: Other Businesses And Products



3. Business Going Forward: Stories for Achieving the Medium-Term Business Plan

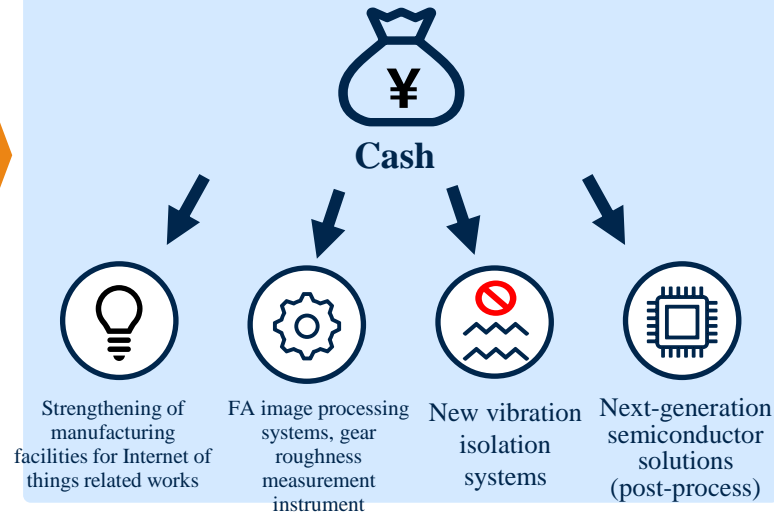
FYE May 2021 (29th Term)

The three record highs

-  1. Net sales of illuminators (With certain customers)
-  2. Net sales of pupil lens modules
-  3. Number of R&D projects

FYE May 2022 (30th Term)

Strengthening of existing businesses Launch of new businesses



FYE May 2022 (31st Term)

Achievement of Medium-Term Business Plan

Demand increase in existing businesses + monetization of new businesses

Net sales of **100** billion yen or higher

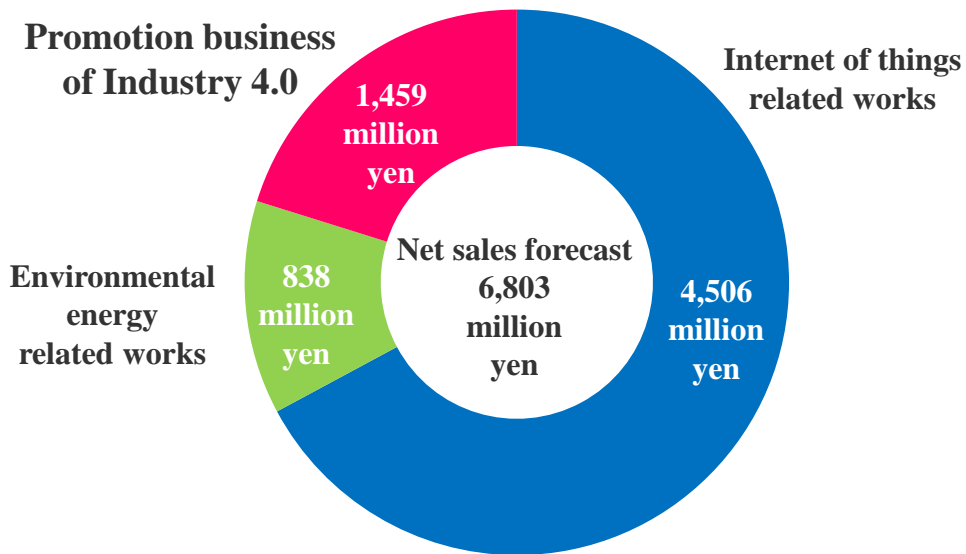
Operating margin of **20%** or higher

Customers' investment trend projection

Expansion of existing facilities
Preparation for full-scale investment

Sharp increase in investment

3. Business Going Forward: Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022



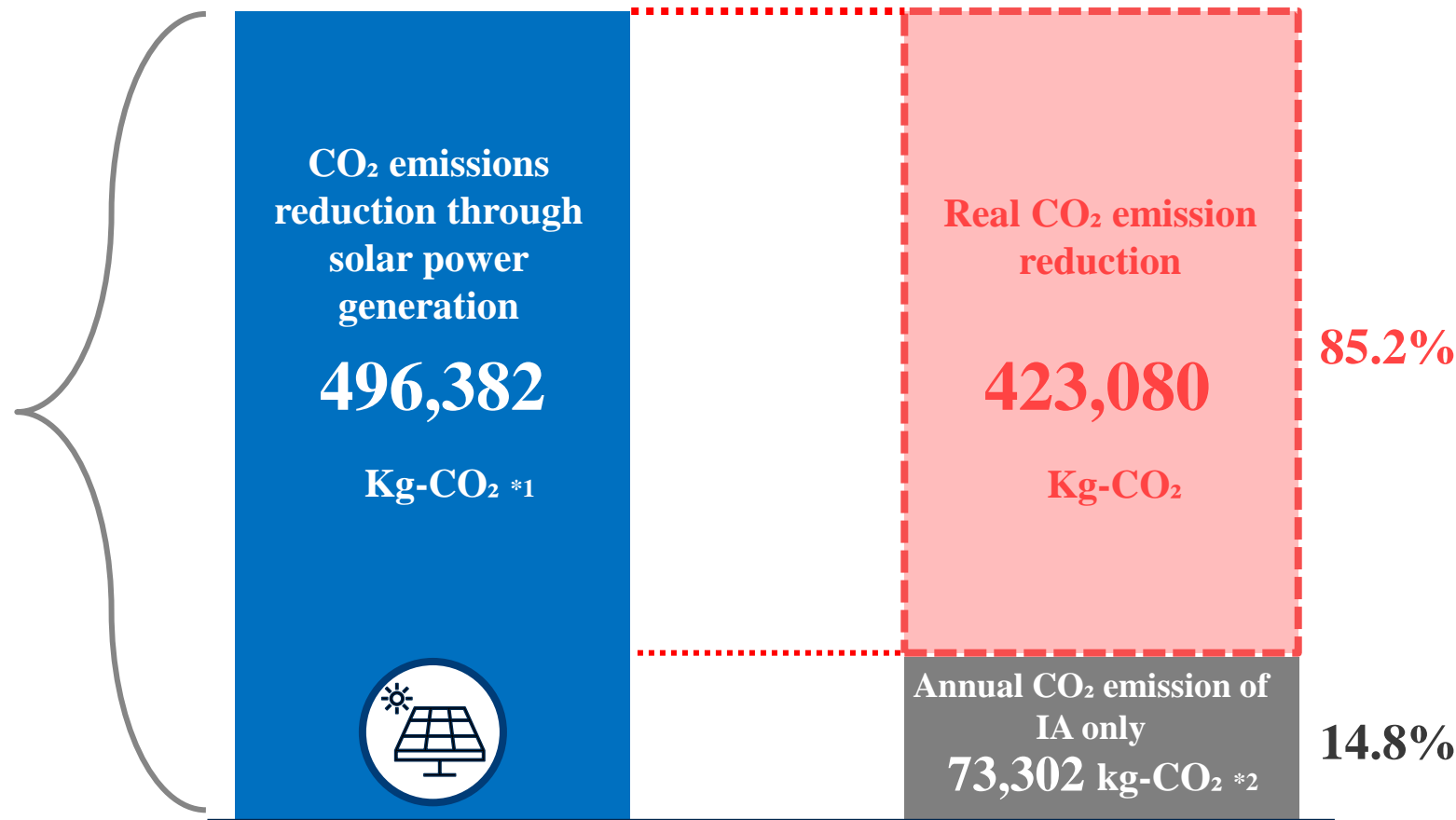
(Millions of yen)	FYE May 2021	FYE May 2022 forecast	Change YoY
Net sales	6,627	6,803	2.6%
Operating income	1,751	1,871	6.8%
Ordinary income	1,748	1,806	3.3%
Profit attributable to owners of parent	1,159	1,189	2.6%
Profit per share	105.61 yen	108.14 yen	—

4. SDG Initiatives: Contribution Toward Realizing A Decarbonized Society

Investment in third-party organizations



Solar power generation



*1: Data aggregation period is from August 2020 to May 2021 (10 months), the period for which data is available.

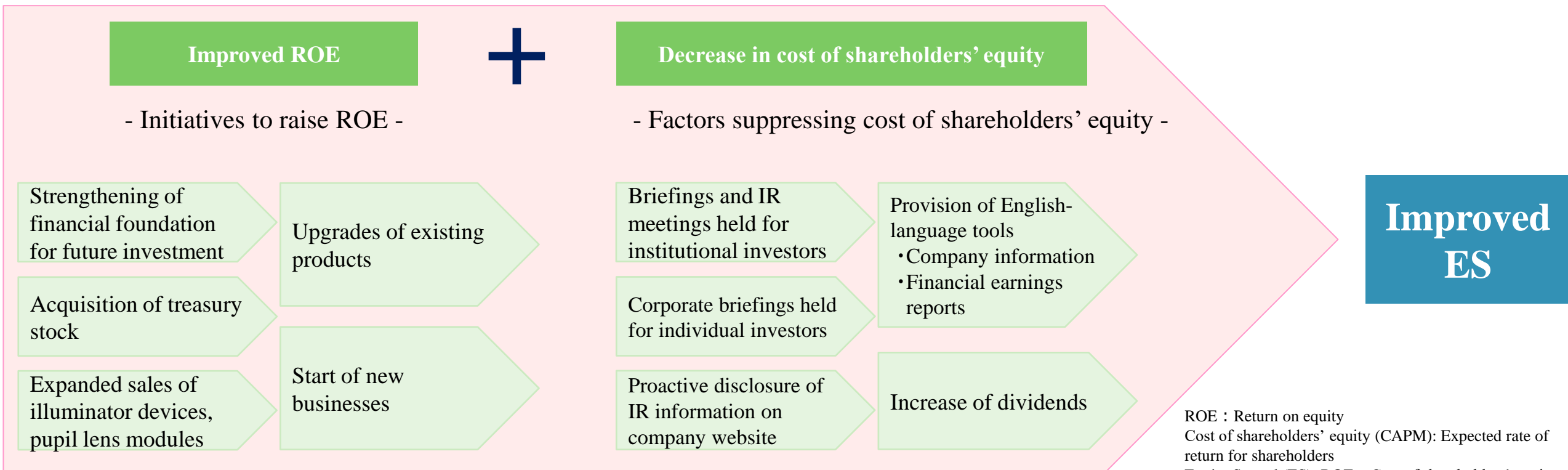
*2: Calculated by multiplying electricity usage in INTER ACTION Head Office and Yamashita-cho Office by base emission factor. Data aggregation period is from May 2020 to April 2021 (12 months), the period for which data is available.

5. Initiatives to Increase Corporate Value: Management Benchmarks

[Comparison of management indicators to those of previous fiscal year]

	FYE May 2020	FYE May 2021
ROE	13.2%	13.7%
ES	7.0%	7.4%

* Cost of shareholders' equity (CAPM): 6.2%



ROE : Return on equity
 Cost of shareholders' equity (CAPM): Expected rate of return for shareholders
 Equity Spread (ES): ROE – Cost of shareholders' equity

Appendix: Company Profile

Company Profile



Trade name: INTER ACTION Corporation

Listed on: Tokyo Stock Exchange,
First Section

Established: June 25, 1992

Securities code: 7725

Representative: Nobuo Kiji, CEO & President

Fiscal year: June 1 to May 31

Capital stock: 1,760 million yen

URL: <http://www.inter-action.co.jp>

Employees: 138 (Group-wide as of May 31, 2021)

Group companies: Air Gases Technos Co., Ltd.
Meiritz Seiki Co., Ltd.
Tokyo Technical Instruments Inc.
Xian INTER ACTION Solar Technology Corporation
Shaanxi Chaoyangitong Precision Device Co., Ltd.
MEIRITZ KOREA CO.,LTD.
Taiwan Tokyo Technical Instruments Corp.
TOKYO TECHNICAL INSTRUMENTS (SHANGHAI) CO.,LTD.
Lastech Co., Ltd.

Head office: Yokohama Kanazawa High-Tech Center 14F
1-1 Fukuura, Kanazawa-ku
Yokohama-shi, Kanagawa
Tel: +81-45-788-8373 Fax: +81-45-788-8371

Offices: Naka-ku, Yokohama-shi; Koshi-shi, Kumamoto

Key benchmarks	Equity spread ROE
Dividend policy	Total return ratio of 30%
M&A strategy	Focus on fields of growth and potential growth. Focus on fields where we can pursue business development by leveraging technologies and expertise built up thus far. Achieve positive net present value calculated on the basis of estimated cash flows for five years using WACC as the discount rate.

E-mail Alert Service

Receive various forms of information about the Inter Action Group via e-mail.

Link to the Inter Action website “E-mail alert service” page (in Japanese)

http://www.inter-action.co.jp/ir/ir_mail/

You may also register for the service using the QR code below.

Information you provide to us will be used solely for operating the IR e-mail alert service.

Refer to the “Privacy Policy” posted to the Inter Action website for further information on our handling of personal information (in Japanese).

<http://www.inter-action.co.jp/privacy/>



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<http://www.inter-action.co.jp/inquiry/>

Please contact us through the Inquiries page of the Inter Action website (in Japanese).





Notes

This document contains forward-looking statements particularly regarding Inter Action's future performance. The Inter Action Group has formed its outlook encompassing potential risks and uncertainties based on information available at the time of disclosure. Accordingly, please be advised that actual financial results may vary substantially from the forecasts presented, given that they are subject to economic circumstances surrounding areas of business going forward, market trends, and other such factors.

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