

## **A financial results briefing session was held for investors**

On Wednesday, January 19, 2022, an online financial results briefing was held for investors for the first half of the fiscal year ending May 31, 2022.

(Wednesday, January 19, 2022, 4:00 p.m. to 5:00 p.m.)

1. Explanation of the Summary of Financial Results for the first half of the fiscal year ending May 31, 2022  
(Naoya Kyan, Section Manager, Accounting Group, Business Planning Div.)
2. Explanation of the Overview of Financial Results for the First Half of the Fiscal Year Ending May 31, 2022  
and the Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022 (Full Year)  
(Naoya Kyan, Section Manager, Accounting Group, Business Planning Div.)
3. Looking Back on the Period under Review and Explanation of the Business Going Forward  
(Nobuo Kiji, CEO & President)
4. Q&A

For further details of the discussion, please refer to the attached materials.

\*The content of Q&A will be posted at a later date.

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**INTER ACTION Corporation**  
**First Half of the Fiscal Year Ending May 31, 2022 (30th Business Year)**  
**Financial Results Briefing Session**

Wednesday, January 19, 2022



## **1. Summary of the First Half of the Year Financial Results**

## **2. Overview of Financial Results for the First Half of the Fiscal Year Ending May 31, 2022**

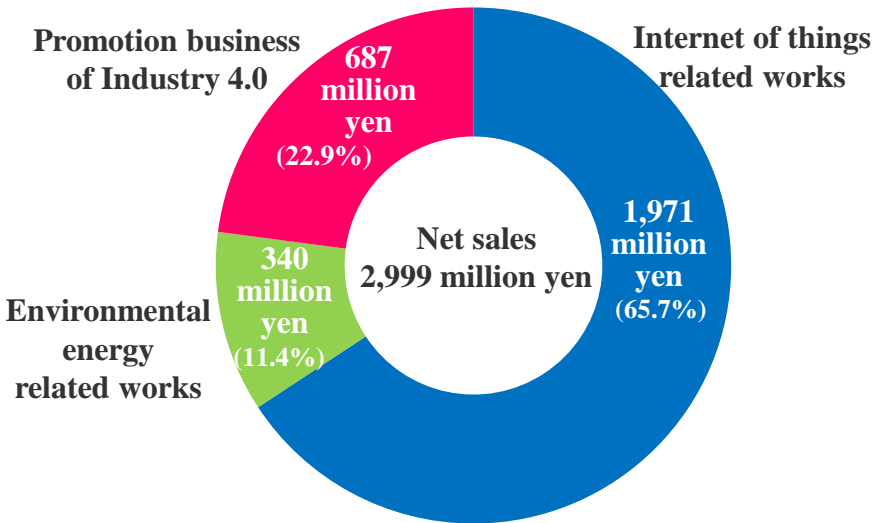
- 1) Internet of Things Related Works Segment
- 2) Environmental Energy Related Works Segment
- 3) Promotion Business of Industry 4.0 Segment
- 4) Consolidated Balance Sheets and Consolidated Statements of Income
- 5) Consolidated Statement of Cash Flows
- 6) Amount of Orders Received, Net Sales, Backlog of Orders
- 7) Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022  
(Full Year)

## **3. Looking Back on the Period under Review and Business Going Forward**

### **Appendix: Company Profile**

# **1. Summary of the First Half of the Year Financial Results**

# 1. Summary of the First Half of the Year Financial Results



(Millions of yen)	FYE May 2021 First Half	<b>FYE May 2022 First Half</b>	Change YoY (%)
Net sales	3,379	<b>2,999</b>	(11.2)
Operating income	877	<b>594</b>	(32.3)
Ordinary income	882	<b>611</b>	(30.7)
Profit attributable to owners of parent	586	<b>386</b>	(34.1)
Profit per share	53.50 yen	<b>35.19 yen</b>	-

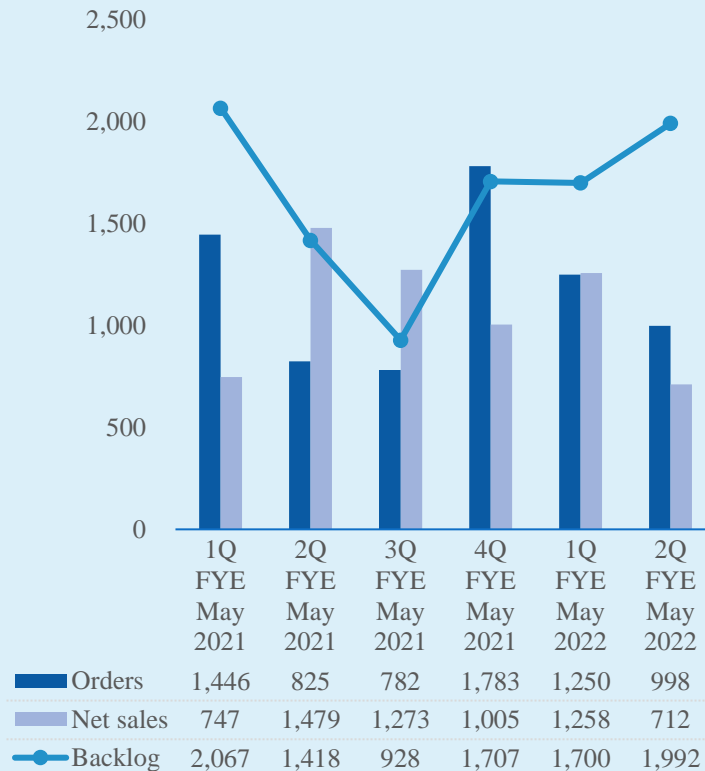
- Consolidated financial results saw year-on-year decreases in both net sales and earnings, due to net sales and earnings declines in the internet of things related works segment.
- Performance of the internet of things related works segment is probably attributable to the effects of capital investment swing and factory shutdown by customers rather than deterioration of market environment. In view of ongoing active business discussions regarding our products with both domestic and overseas customers, we expect that customers' capital investment appetite will remain robust.

## **2. Overview of Financial Results for the First Half of the Fiscal Year Ending May 31, 2022**

# 1) Internet of Things Related Works Segment

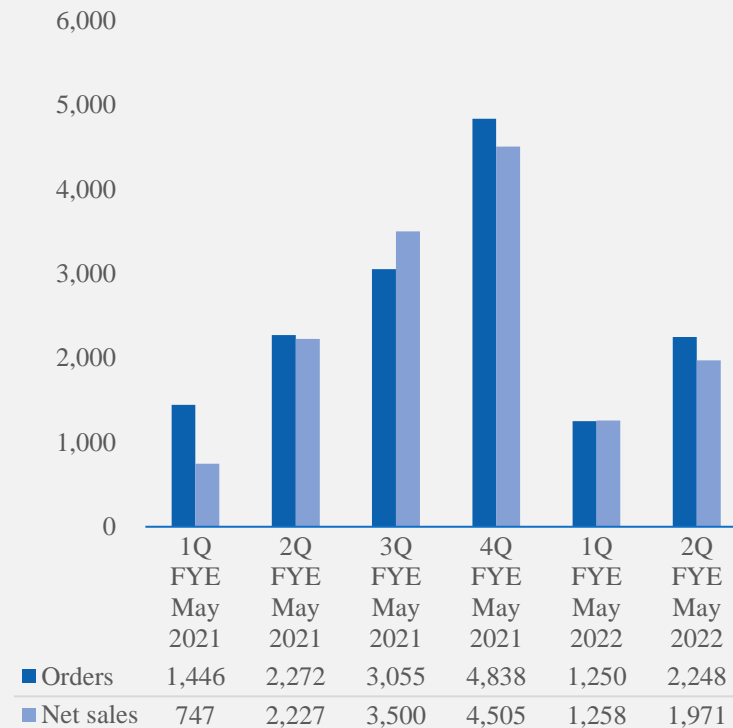
- The segment as a whole recorded decreases in both net sales and earnings, due to a year-on-year decline in sales of products for overseas customers although sales of products for domestic customers remained firm.
- The decline in net sales of products for overseas customers presumably reflected large-scale capital investment that customers had carried out in the same period of the previous fiscal year and postponement of customers' capital investment plan.
- In view of ongoing active business discussions regarding our products, we believe that both domestic and overseas customers are planning large-scale capital investment in the second half through to the next fiscal year.

**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]

<p><b>(1) Market environment</b> (+) Demand for image sensor is expected to remain strong.</p>	
<p><b>(2) Social situations</b> (±) Trade friction between the US and China → We view uncertainty to have eased compared with the same period of the previous fiscal year. (-) Novel coronavirus infectious disease → Overseas customers may have been compelled to postpone their capital investment in image sensors due to factory shutdown.</p>	
<p><b>(3) Customer trend</b> (+) Recovery in domestic customers' capital investment appetite (+) Business discussions regarding our products are gaining momentum with both domestic and overseas customers.</p>	

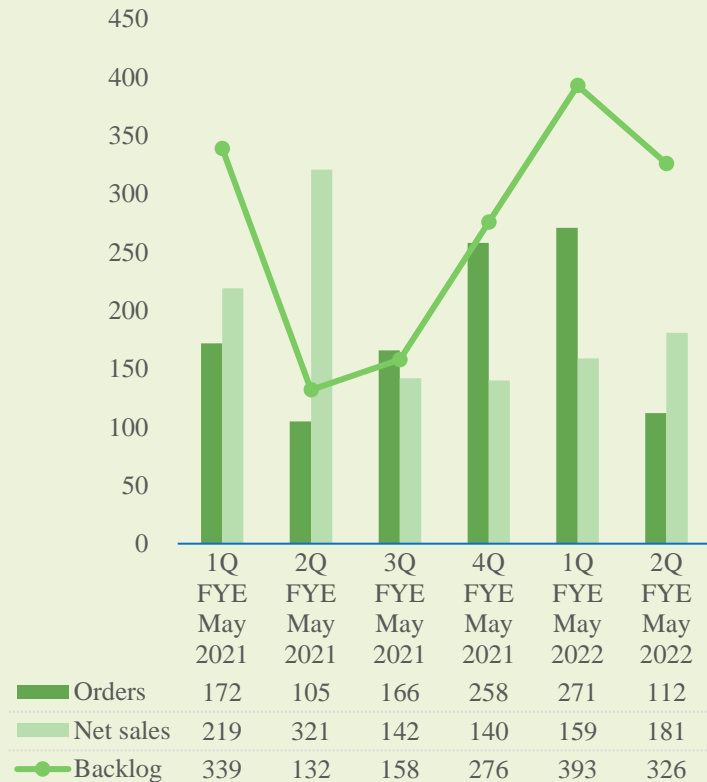
[Main changes in the internal environment]

<p><b>(1) Research and development</b> (+) Pupil lens modules for overseas → We are making proactive proposals of our products samples while verification by customers continue.</p>	
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## 2) Environmental Energy Related Works Segment

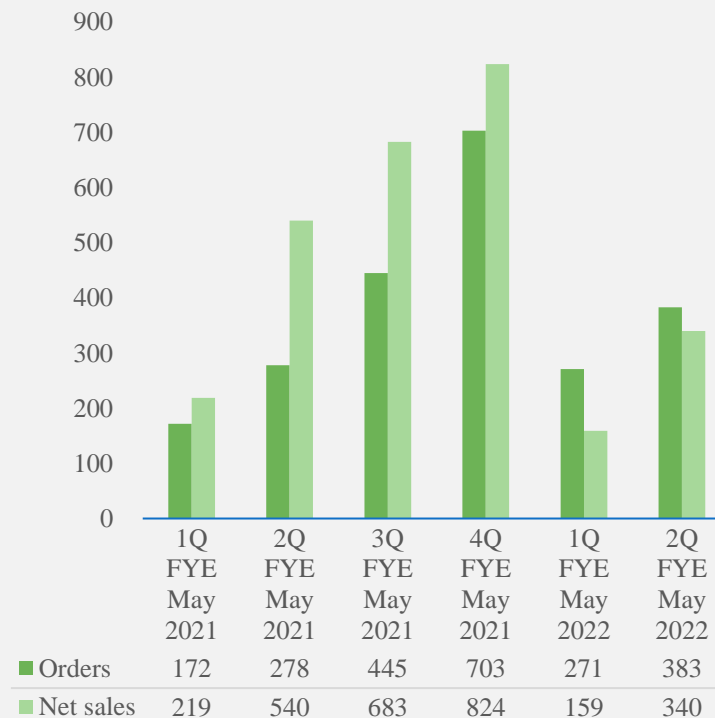
- In the period under review, net sales decreased given limited orders received for main units in the previous fiscal year due to COVID-19.
- Net sales of maintenance projects maintained the year-on-year level.
- With orders for main units starting to arrive after a period of stagnation, the order backlog is increasing. However, delivery delays in some projects may occur due notably to a global shortage of parts and materials.

**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  
→ Limited orders for main units in the previous fiscal year leading to decrease in net sales



(-) Global shortage of parts and materials  
→ Possibility of delivery delays in the orders received

**(2) Customer trend**

(+) Increase in placement of orders for main units  
→ Capital investment, which had stalled in the previous fiscal year, is gradually picking up.



**[Main changes in the internal environment]**

**(1) New product development**

(+) Promoting development of failure prediction system that uses acoustic emission

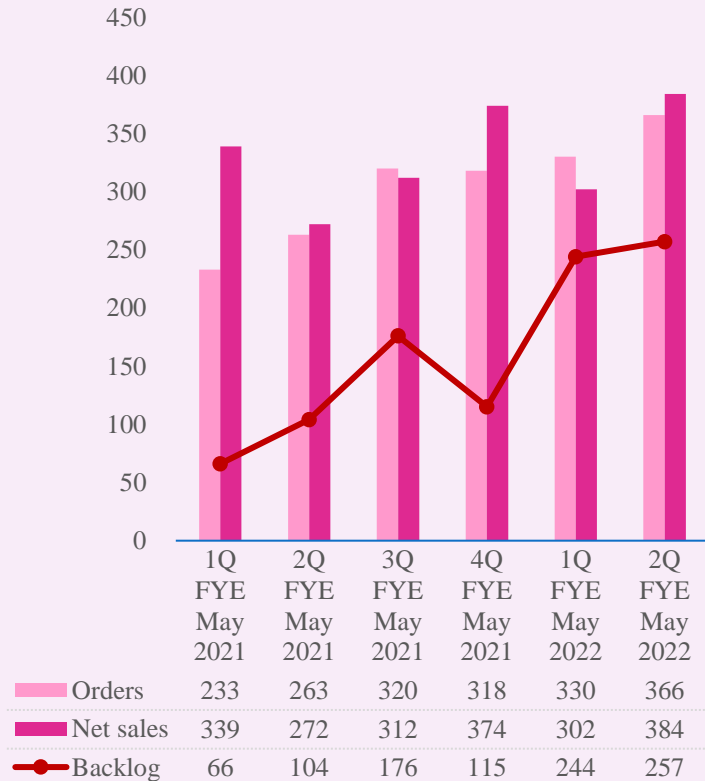




### 3) Promotion Business of Industry 4.0 Segment

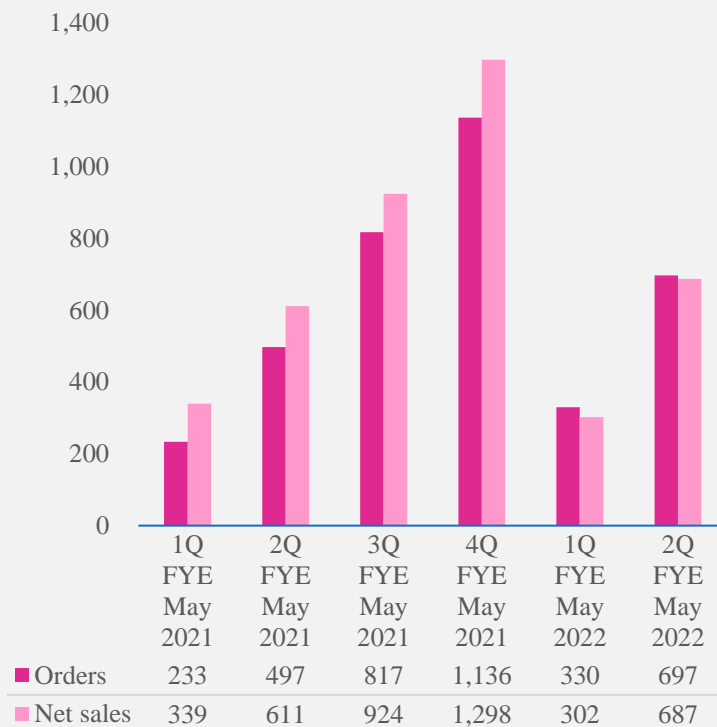
- Precision vibration isolation systems: While inquiries for highly profitable products are increasing from both domestic and overseas customers, net sales in the period under review were sluggish.
- Gear testing systems: With market conditions for the gear manufacturing industry showing signs of recovery, capital investment appetite of both domestic and overseas customers remained strong and net sales increased year on year.
- FA imaging processing equipment: Devices that were delivered are running smoothly. Inquiries from companies such as automakers are increasing.

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]

<p><b>(1) Market environment</b>            (+) Economic conditions in China            → Growth in machine tool demand by manufacturers in China is having a positive effect on the gear manufacturing industry.</p>	
<p><b>(2) Social situations</b>            (±) Impact of the spread of novel coronavirus infectious disease            → Restrictions on overseas marketing activities</p>	

[Main changes in the internal environment]

<p><b>(1) New businesses, research and development</b>            (+) Expanding sales of FA imaging processing system            → Devices delivered to customers' sites are running smoothly. We continue to receive inquiries.</p>	
<p>(+) Development of new products in precision vibration isolation systems            → Currently in trial production and evaluation stage of mass-production model. Progress is being made as planned.</p>	

## 4) Consolidated Balance Sheets and Consolidated Statements of Income

### Consolidated balance sheets

(Millions of yen)	As of		As of	
	May 31, 2021	November 30, 2021	May 31, 2021	November 30, 2021
<b>Assets</b>			<b>Liabilities</b>	
Total assets	11,564	<b>11,300</b>	Total liabilities	2,526
Current assets	10,146	<b>9,996</b>	Current liabilities	1,774
Non-current assets	1,418	<b>1,304</b>	Non-current liabilities	752
Property, plant and equipment	668	<b>636</b>		
Intangible assets	272	<b>241</b>	<b>Net assets</b>	
Investments and other assets	477	<b>426</b>	Total net assets	9,038
				<b>9,248</b>
			Shareholders' equity	
			Share capital	1,760
			Capital surplus	3,352
			Retained earnings	4,826
			Treasury shares	(892)
			Accumulated other comprehensive income	(9)
				<b>(9)</b>
			Total liabilities and net assets	
Total assets	<u>11,564</u>	<u><b>11,300</b></u>		<u>11,564</u>
				<u><b>11,300</b></u>

### Consolidated statements of income

(Millions of yen)	Six months ended November 30, 2020	Six months ended November 30, 2021
<b>Actual</b>		
Net sales	3,379	<b>2,999</b>
Cost of sales	1,682	<b>1,609</b>
Gross profit	1,697	<b>1,389</b>
Selling, general and administrative expenses (Note)	819	<b>795</b>
Operating income	877	<b>594</b>
Ordinary income	882	<b>611</b>
Extraordinary income	—	<b>0</b>
Extraordinary losses	7	<b>5</b>
Profit before income taxes	874	<b>606</b>
Income taxes - current	279	<b>172</b>
Income taxes - deferred	8	<b>47</b>
Total income taxes	288	<b>220</b>
Profit	586	<b>386</b>
Profit attributable to owners of parent	586	<b>386</b>
Note: Major expenses classified as selling, general and administrative expenses		
Research and development expenses	26	<b>56</b>
Amortization of goodwill	24	<b>24</b>

## 5) Consolidated Statement of Cash Flows

### Cash flows from operating activities

**186 million yen**

(Millions of yen)	2Q ended November 30, 2020	2Q ended November 30, 2021
Profit before income taxes	874	<b>606</b>
Decrease (increase) in trade receivables	392	<b>20</b>
Decrease (increase) in inventories	111	<b>(167)</b>
Other increase (decrease)	124	<b>182</b>
Subtotal	1,503	<b>642</b>
Income taxes paid	(118)	<b>(456)</b>
Net cash provided by (used in) operating activities	1,385	<b>186</b>

### Cash flows from financing activities

**(424) million yen**

(Millions of yen)	2Q ended November 30, 2020	2Q ended November 30, 2021
Net increase (decrease) in short-term borrowings	40	<b>(20)</b>
Proceeds from long-term borrowings	293	<b>–</b>
Repayments of long-term borrowings	(129)	<b>(83)</b>
Purchase of treasury shares	–	<b>(135)</b>
Dividends paid	(202)	<b>(225)</b>
Other increase (decrease)	9	<b>38</b>
Net cash provided by (used in) financing activities	10	<b>(424)</b>

### Cash flows from investing activities

**(54) million yen**

(Millions of yen)	2Q ended November 30, 2020	2Q ended November 30, 2021
Purchase of property, plant and equipment	(49)	<b>(56)</b>
Purchase of intangible assets	(7)	<b>(1)</b>
Other proceeds (payments)	35	<b>3</b>
Net cash provided by (used in) investing activities	(22)	<b>(54)</b>

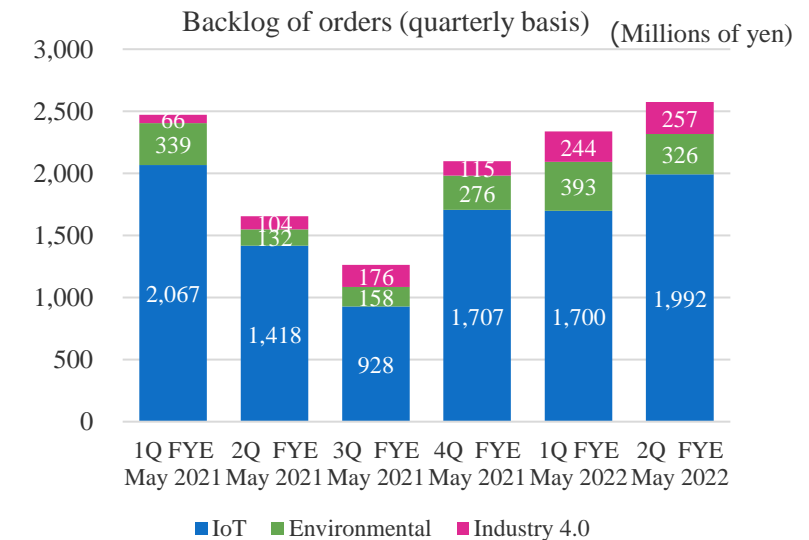
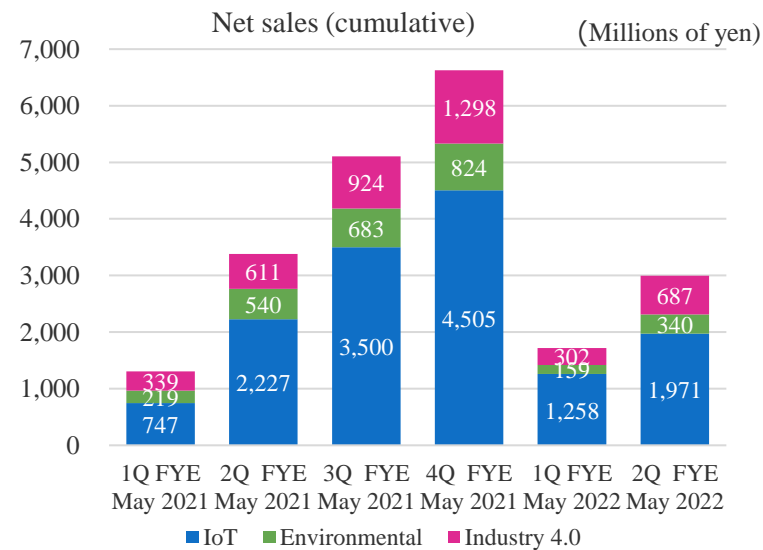
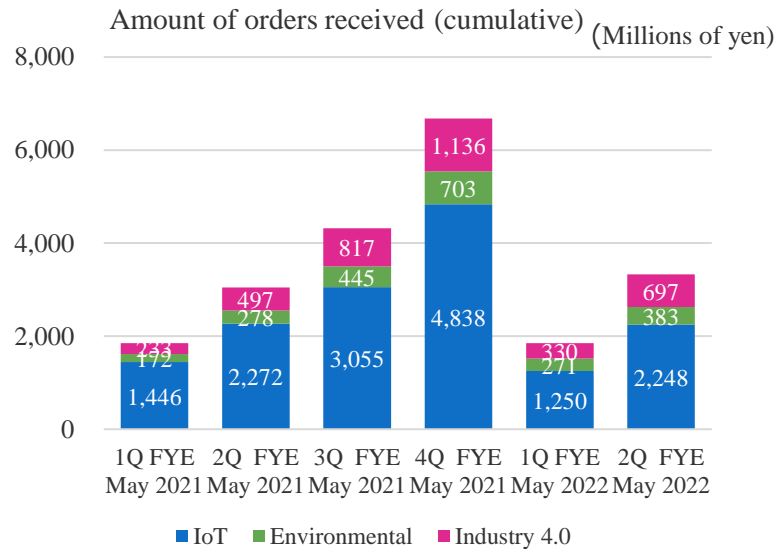
### Cash and cash equivalents at end of period

**6,926 million yen**

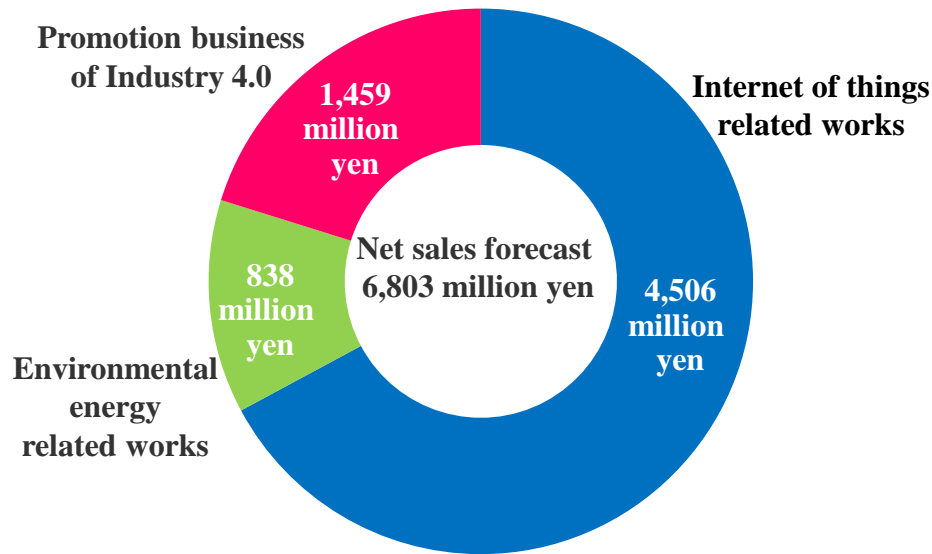
(Millions of yen)	2Q ended November 30, 2020	2Q ended November 30, 2021
Effect of exchange rate change on cash and cash equivalents	0	<b>8</b>
Net increase (decrease) in cash and cash equivalents	1,374	<b>(284)</b>
Cash and cash equivalents at beginning of period	4,873	<b>7,211</b>
Cash and cash equivalents at end of period	6,247	<b>6,926</b>

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

Business segment	Amount of orders received		Net sales		Backlog of orders		
	(Millions of yen)	Amount	Change YoY	Amount	Change YoY	Amount	Change YoY
Internet of things related works		2,248	(1.0)%	1,971	(11.5)%	1,992	40.5%
Environmental energy related works		383	37.7%	340	(37.1)%	326	145.9%
Promotion business of Industry 4.0		697	40.1%	687	12.4%	257	146.9%
Total		3,329	9.2%	2,999	(11.2)%	2,575	55.6%



# 7) Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022 (Full Year)



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

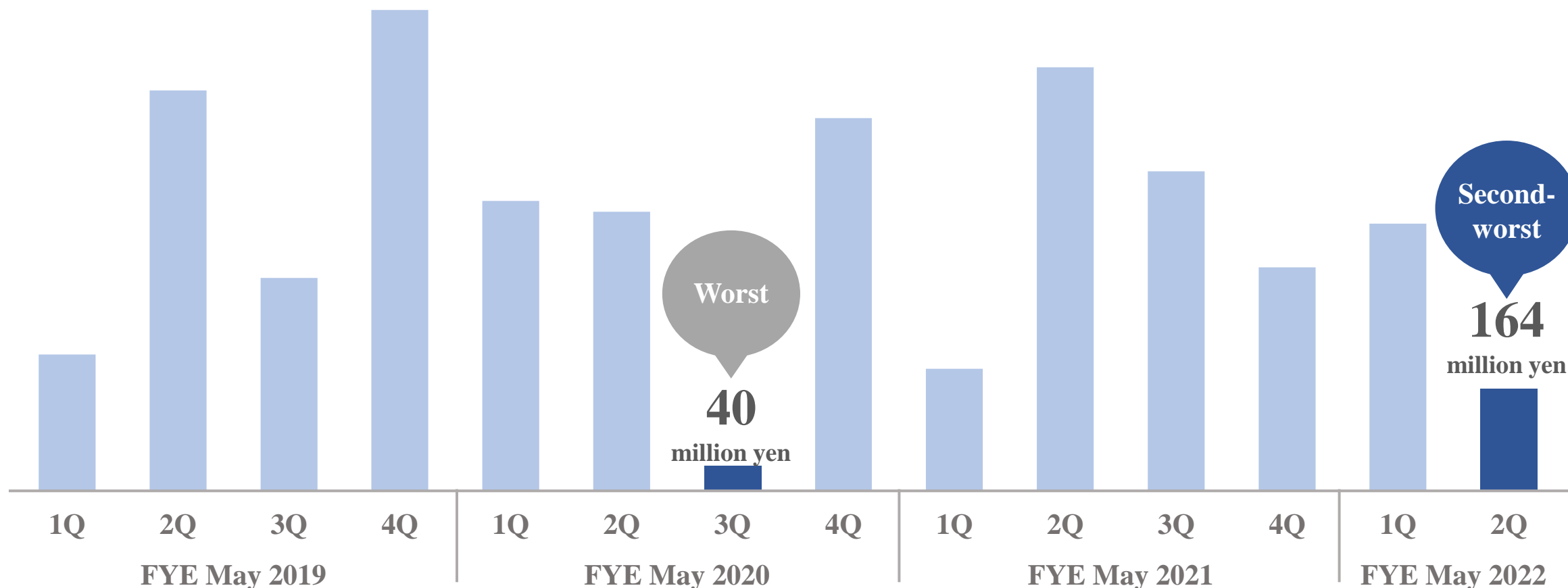
# **3. Looking Back on the Period under Review and Business Going Forward**





# Changes in Consolidated Operating Income (by Quarter)

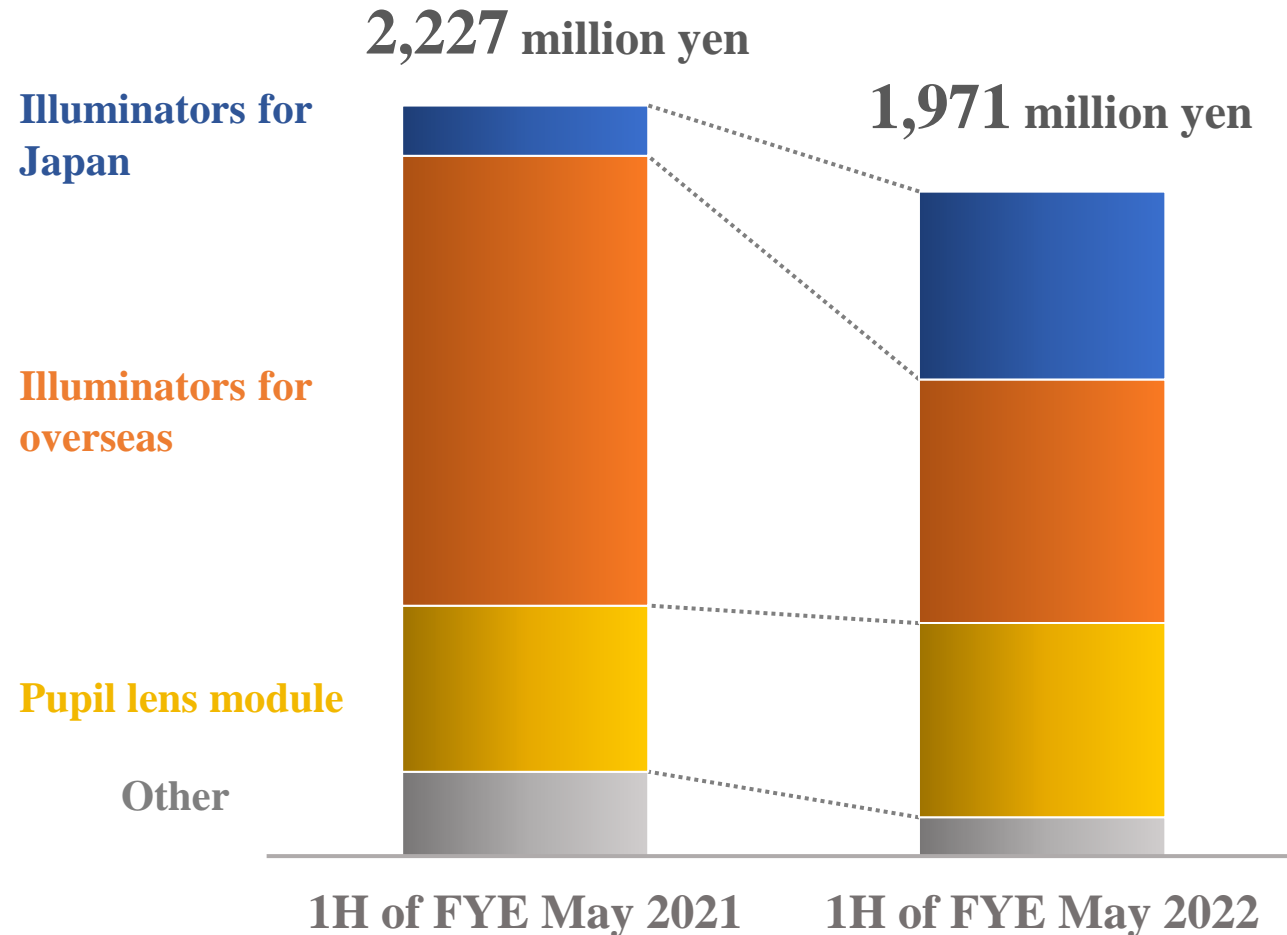
(Millions of yen)





# Percentage Breakdown of Net Sales in Internet of Things Related Works (Cumulative)

(Millions of yen)



Year on year

Illuminators for Japan



**Increased**

Pupil lens module

Illuminators for overseas



**Decreased**

# Changes in the Amount of Orders Received and Backlog of Orders (by Quarter)

(Millions of yen)















# From the Second Half Through to the Next Fiscal Year

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Large-scale capital investment plans at domestic and overseas customers

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Increase in volume of customers' device production

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Release of multiple development projects at subsidiaries

# InterAction's Mission

**To be the pillar of the sensing market  
through optics-focused manufacturing**

To be The Hidden Champion

King of King makers

# Strategies for Achieving Corporate Mission

## Strategy for strengthening T2

- Quick delivery
- Speed up development and proposal
- Productivity enhancement

## Strategy for expanding sales channels

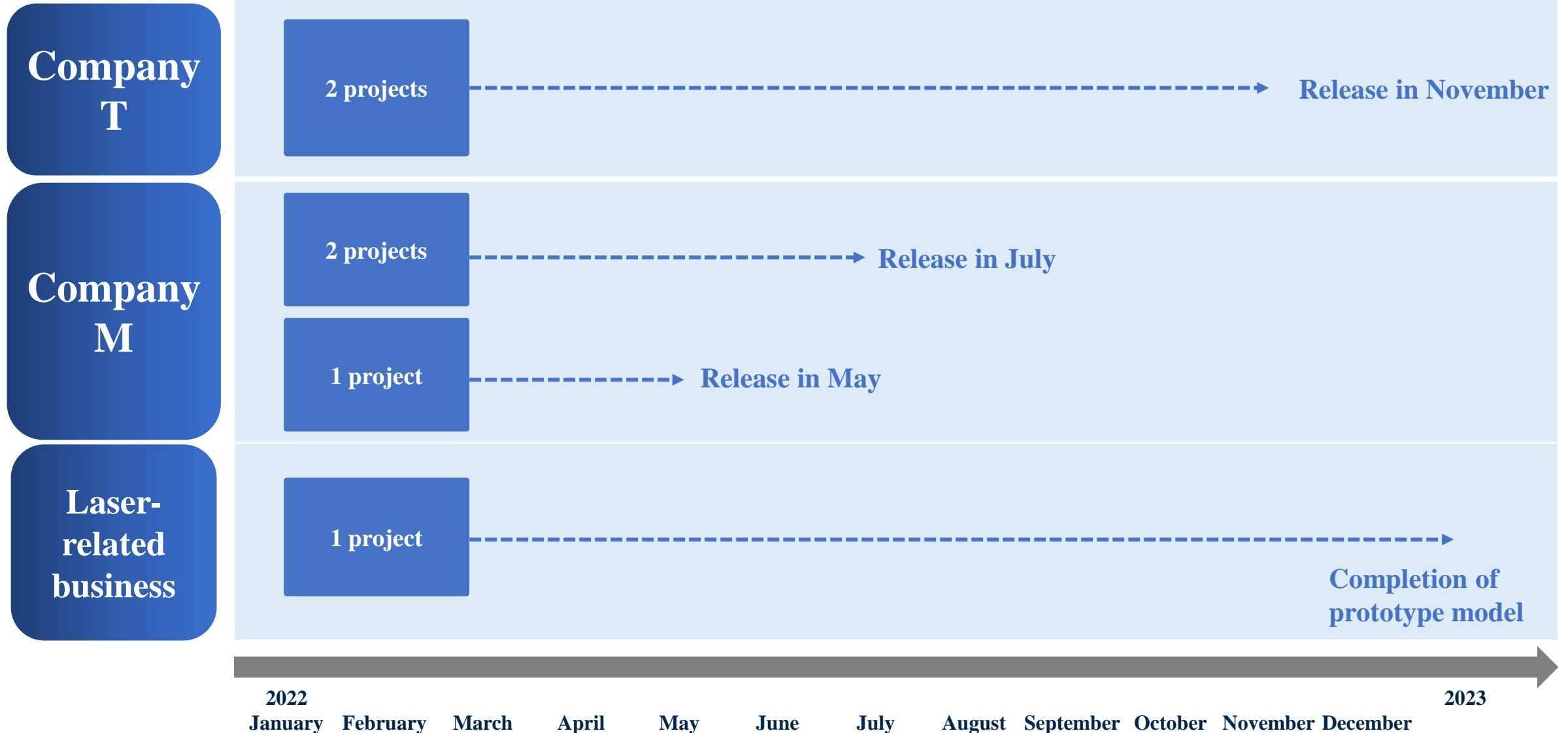
- Sales and marketing enhancement
- Expansion of product portfolio through development of T2
- Productivity enhancement

## Productivity enhancement plan

- Digital transformation (DX)
- Human resource development
- M&A



# Release of Multiple Development Projects





# Acquisition of Treasury Shares

**3,000**  
**million yen**

Acquisition period: January 13, 2022 to January 31, 2022

# Transition to the Prime Market



**PRIME TOKYO**

# **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:** <https://www.inter-action.co.jp/en/>

**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 Chaoyangyitong 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

**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.

# Contact Information

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Investor Relations Division Business Administration Group

Inter Action Corporation 10F, Sangyo Boeki Center Bldg.,

2 Yamashita-cho, Naka-ku, Yokohama, Kanagawa

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

Please contact us through the Inquiries page of the Inter Action website.







### 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.

Whereas every effort has been taken to ensure the accuracy and completeness of the provided in this document, we make no guarantee in that regard. Furthermore, please be advised that the information in this document is subject to revision or retraction without prior notice.

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