Member of the Financial Accounting Standards Foundation

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July 12, 2022

Consolidated Financial Results for the Fiscal Year Ended May 31, 2022 <Japanese GAAP>

Listed company: INTER ACTION Corporation
Listed stock exchange: Tokyo
Securities code: 7725
URL: https://www.inter-action.co.jp/en/
Representative: Nobuo Kiji, CEO & President
Contact: Kaori Kawaguchi, Chief, Business Planning Team
Telephone number: +81-45-263-9220
Planned Date of General Shareholders' Meeting: August 24, 2022
Planned Commencement Date of Dividend Payments: August 25, 2022
Planned Filing Date of Securities Report: August 25, 2022
Preparation of explanatory materials for financial results: Yes
Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended May 31, 2022 (June 1, 2021 to May 31, 2022)

(1) Consolidated operating results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2022	6,017	(9.2)	1,130	(35.5)	1,196	(31.6)	761	(34.3)
May 31, 2021	6,627	(6.4)	1,751	12.6	1,748	13.1	1,159	15.4

(Note) Comprehensive income: the fiscal year ended May 31, 2022: ¥778 million / (34.3)%
the fiscal year ended May 31, 2021: ¥1,185 million / 21.1%

	Profit per share	Profit per share–diluted	Profit to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
May 31, 2022	69.58	–	8.3	10.4	18.8
May 31, 2021	105.61	–	13.7	16.2	26.4

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2022: ¥(0 million)
the fiscal year ended May 31, 2021: ¥(1 million)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2022	11,533	9,340	81.0	859.88
As of May 31, 2021	11,564	9,038	78.2	821.96

(Reference) Shareholders' equity: As of May 31, 2022: ¥9,340 million
As of May 31, 2021: ¥9,038 million

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2022	423	(124)	(832)	6,740
May 31, 2021	2,369	(86)	28	7,211

2. Dividends

	Annual dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
May 31, 2021	—	0.00	—	20.00	20.00	225	18.9	2.6
May 31, 2022	—	0.00	—	20.00	20.00	221	28.7	2.4
For the fiscal year ending May 31, 2023 (Forecast)	—	0.00	—	25.00	25.00		18.6	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2023 (June 1, 2022 to May 31, 2023)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	7,623	26.7	2,200	94.7	2,224	85.9	1,459	91.8	134.36

(Note) The Company has implemented an ESOP and Directors' stock compensation plan both in the form of stock benefit trusts. Accordingly, profit per share is calculated based on the average number of shares during the fiscal year, excluding the number of treasury shares, which includes Inter Action stock held by the stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts.

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

(2) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: Yes

(ii) Changes in accounting policies other than item (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) For details, refer to "(5) Note regarding the consolidated financial statements (Changes in accounting policies)" under "3. Consolidated Financial Statements and Notes" (page 16) of the Attached Materials.

(3) Number of shares issued (common stock)

(i) Number of shares outstanding at end of period (including treasury shares)

As of May 31, 2022	11,510,200 shares
As of May 31, 2021	11,510,200 shares

(ii) Number of treasury shares at end of period

As of May 31, 2022	647,207 shares
As of May 31, 2021	514,513 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2022	10,939,261 shares
Fiscal year ended May 31, 2021	10,976,608 shares

(Note) The Company has implemented an ESOP and Directors' stock compensation plan, both in the form of stock benefit trusts. Accordingly, treasury shares, as stated, include Inter Action stock held by the stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts.

(Reference) Outline of non-consolidated business results

Non-consolidated Financial Results for the Fiscal Year Ended May 31, 2022 (June 1, 2021 to May 31, 2022)

(1) Non-consolidated financial results (% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2022	3,969	(13.2)	1,119	(37.1)	1,205	(33.7)	807	(36.1)
May 31, 2021	4,574	(5.3)	1,779	23.3	1,818	10.3	1,263	12.6

	Profit per share	Profit per share–diluted
For the fiscal year ended	Yen	Yen
May 31, 2022	73.81	–
May 31, 2021	115.08	–

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2022	10,243	9,293	90.7	855.48
As of May 31, 2021	10,402	8,961	86.1	815.00

(Reference) Shareholders' equity: As of May 31, 2022: ¥9,293 million
As of May 31, 2021: ¥8,961 million

* The consolidated financial results are not subject to auditing by a certified public accountant or an audit firm.

* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on certain assumptions on economic situation, market trends, etc. deemed to be reasonable when the forecasts were made. Consequently, actual results may differ from the forecasts due to a variety of future factors. For details of the above forecasts, refer to "(4) Forecasts" under "1. Overview of Operating Results" (page 6) of the Attached Materials.

[Attached Materials]

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1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

1) Operating results for the fiscal year under review

The Inter Action Group conducts business in three segments: Internet of things related works; environmental energy related works; and promotion business of Industry 4.0. The business environment in each segment is as described below.

In the Internet of things related works segment, we manufacture inspection illuminators and pupil lens modules used for quality inspections in the image sensor production process and sell them mainly to manufacturers of high-end image sensors.

Currently, in the image sensor market, there are a dozen or so manufacturers of image sensors, of which Japanese and Korean companies account for over 60% of the market share. Aside from these existing makers, there have recently been moves by Chinese manufacturers to enter the business. Judging from the trends of image sensor manufacturers, we anticipate that the image sensor market will continue to expand.

The market for image sensors tends to hinge on the manufacturing and selling situation of smartphones, as such devices currently account for about 60–70% of image sensor applications. Production and shipment of smartphones, in volume terms, are affected by the current stagnant demand for smartphones in some regions due to the Russia-Ukraine situation, combined with shortage of semiconductors and other parts and materials, a situation which has yet to improve. We anticipate that the market will recover with the easing of uncertainty arising from the social situation, and hence expect that stagnation in demand for smartphones will be temporary. Still, we will need to continue monitoring market developments in the period ahead.

The increasing number of image sensors (cameras) installed per smartphone and the growing popularity of smartphones equipped with multiple image sensors (cameras) in recent years means that image sensor manufacturers will probably need to continue increasing production capacity. Increasingly, smartphones are equipped with higher value-added image sensors (cameras), leading to increase in the percentage of high-end image sensor application.

In the short-term, demand for image sensors remains focused on conventional imaging devices that capture visible light in order to take photos and videos.

In the medium term, we anticipate the demand trend to shift from imaging to sensing needs, driving up demand for image sensors that can capture three-dimensional information needed for self-driving vehicles.

Specific devices envisaged are ToF (time-of-flight) sensors and LiDAR (light detection and ranging) sensors, which aim to capture three-dimensional information such as the distance between objects. Use of these sensors in smartphones is gaining momentum and a further increase in demand is anticipated with the development of various applications.

In the long term, we assume that usage will expand further along with such progresses as advancement of image sensor technology, development of the sensing area, and construction of 5G-related infrastructure, and anticipate that new demand will be generated, different from what we have seen in the past, resulting from industrial applications (machine-vision, surveillance cameras, drones, etc.), prevalence of IoT devices equipped with image sensors and other trends.

In the environmental energy related works segment, we manufacture and sell drying deodorizers used together with rotary presses (commercial printing presses) for large-volume printing and exhaust gas treatment systems for factories.

In the printing machinery industry, although new capital investment is diminishing due to the growing prevalence of information technologies, a certain number of rotary presses are replaced every year due to age-related degradation, and there is also demand for periodic maintenance. As there is minimal competition, the Inter Action Group is able to stably accommodate this demand at present. At present, customers' appetite for capital investment in new and large-scale projects is gradually beginning to recover in anticipation of a post-COVID-19 future.

In the promotion business of Industry 4.0 segment, we mainly manufacture precision vibration isolation systems for removing vibrations that are a hindrance in the production process for displays and sell the systems to display manufacturers. We also manufacture gear testing systems for investigating whether gears are of the shape designed and sell them to gear manufacturers. In addition, as new businesses for the Group, we are actively working on businesses related to FA (factory automation) image processing and laser processing equipment.

Currently, in the flat panel and OLED display industries, although appetite for capital investment is showing signs of gradual recovery particularly among overseas customers, uncertainties persist including the impact of the COVID-19 pandemic and the Russia-Ukraine situation.

Moreover, the gear testing systems market has essentially conformed to conditions of the machine tools market and is susceptible to economic fluctuations. While the COVID-19 pandemic led to a plunge in market conditions that at one point went deeper than that observed during the global financial crisis, a recovery trend is emerging notably among the robotics and automobile industries and in overseas (emerging country) industries.

In our new business related to FA image processing, we have developed and commercialized a gear inspection device that can automatically detect defective products based on images taken of small scratches that occur during the process of manufacturing metal gears. We began selling it through our subsidiary Tokyo Technical Instruments in November 2020, and have received high praise and numerous inquiries from customers. In the future, with the intention of completely automating gear inspections, we will strengthen the AT functions, introduce robots that pick up gears through to inspection systems, and continue to expand product sales while investigating use in applications outside the gear field.

As for the laser processing machines-related business, which is also a new business, in the field of micromachining using lasers, we have proposed short-pulse laser ablation technology (processing that reduces thermal damage to materials by irradiating light for short periods of time) to businesses involved in ceramic processing, and have received inquiries from multiple companies. While continuing to approach companies that handle ceramics and other hard-to-process materials, we launched a joint study with Nagasaki University in August 2021, as part of our program to conduct tests with a view to applying semiconductor manufacturing to a range of processing applications. In recent years, attention has been drawn to next-generation power semiconductors using such materials as SiC (silicon carbide) that can reduce power losses and control at high speed. In the joint research, the focus is to conduct research on efficient methods of processing SiCs and other highly brittle materials with the objective of developing new processing equipment. The research period is scheduled to run until March 31, 2024. The laser processing machines-related business is promoted by Lastech. Co., Ltd., an unconsolidated subsidiary not accounted for by the equity method.

As a result, the Inter Action Group's financial results for the consolidated fiscal year under review were as follows. Net sales declined by 9.2% to 6,017 million yen (in comparison with 6,627 million yen in the previous fiscal year); gross profit fell by 20.5 % to 2,736 million yen largely due to the decline in net sales (in comparison with 3,443 million yen in the previous fiscal year); operating income fell by 35.5% to 1,130 million yen (in comparison with 1,751 million yen in the previous fiscal year); ordinary income fell by 31.6% to 1,196 million yen (in comparison with 1,748 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes decreased 34.3% year on-year to 761 million yen (in comparison with 1,159 million yen in the previous fiscal year).

Consolidated financial results on a quarterly basis are as follows:

(Unit: Millions of yen)

Fiscal year ended May 31, 2022	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,720	1,279	1,131	1,886	6,017
Operating income	429	164	147	388	1,130
Ordinary income	434	176	156	428	1,196
Profit attributable to owners of parent	286	99	96	278	761

Moreover, with respect to the Company's non-consolidated financial results, net sales in the Internet of things related works fell by 13.3% to 3,904 million yen (in comparison with 4,505 million yen in the previous fiscal year). Net sales in the environmental energy related works fell by 26.0% to 2 million yen (in comparison with 3 million yen in the previous fiscal year), and net sales in the promotion business of Industry 4.0 fell by 5.8% to 61 million yen (in comparison with 65 million yen in the previous fiscal year).

As a result, the Inter Action Group's financial results for the fiscal year under review were as follows: net sales fell by 13.2% to 3,969 million yen (in comparison with 4,574 million yen in the previous fiscal year); operating income fell by 37.1% to 1,119 million yen (in comparison with 1,779 million yen in the previous fiscal year); ordinary income fell by 33.7% to 1,205 million yen (in comparison with 1,818 million yen in the previous fiscal year); and final profit fell by 36.1% to 807 million yen (in comparison with 1,263 million yen in the previous fiscal year).

2) Business conditions by segment

(Internet of things related works)

For the full year, the segment recorded year-on-year decreases in both net sales and profits. The primary causes are weaker-than-expected demand for pupil lens modules from domestic customers, although their demand for illuminators was firm, and postponement of revenue recognition from overseas sales of illuminators. On the other hand, orders and order backlog largely of products for overseas customers grew significantly, both achieving record highs.

Net sales of inspection illuminators to domestic customers increased year on year. This is attributable to the firmness in demand as customers' capital investment, which remained subdued in the previous fiscal year due to trade friction between the United States and China, started to recover during the fiscal year under review.

On the other hand, net sales of pupil lens modules for domestic customers decreased year on year. We presume this is due to customers turning cautious toward investment in pupil lens modules from around the second quarter, in the face of sluggish smartphone production volume at some smartphone manufacturers who were affected by semiconductor supply shortage. Another possible cause is the temporary decrease in production volume of image sensors as customers carried out equipment maintenance.

With respect to sales trends of products for domestic customers in the coming period, we anticipate that demand will be driven mainly by customers' large-scale capital investment in new plants, and expect to see an increase in demand for inspection illuminators and pupil lens modules.

Net sales of inspection illuminators to overseas customers decreased year on year. This is primarily due to postponement of revenue recognition to the next fiscal year or later with respect to sales of equipment planned to be recorded in the fiscal year under review. The reasons for the postponement of revenue recognition of the equipment are pandemic-induced factory shutdown by customers and postponement of their capital investment caused by shortage of parts and other materials that resulted in longer lead time for all peripheral devices, other than our equipment, that are required for image sensor inspection.

Meanwhile, orders from overseas customers are increasing year on year. Taking into consideration those that have been postponed, we expect to see increase in sales of inspection illuminators for overseas customers particularly in the next fiscal year.

Concerning full-scale introduction of pupil lens modules at major overseas customers, although we did not reach the mass production stage in the fiscal year under review, introduction of mass-produced items has been decided for the next fiscal year onward, with plan to gradually start offering the products.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 13.3% to 3,904 million yen (in comparison with 4,505 million yen in the previous fiscal year), and segment income decreased by 26.5% to 1,865 million yen (in comparison with 2,536 million yen in the previous fiscal year).

(Environmental energy related works)

For the full fiscal year, we were unable to secure net sales projected at the beginning of the fiscal year and recorded year-on-year decreases in both net sales and profits.

The first half saw impact of the pandemic with sluggish advertising demand and customers' reluctance in making new capital investment notably in printing press-related drying deodorizers.

In the second half, although advertising demand was on a recovery trend, postponement of revenue recognition continued due to delays in a number of high-profit maintenance projects resulting partly from shortage of parts and other materials.

Meanwhile, orders and order backlog both showed year-on-year increases due to continued recovery in customers' appetite for replacement and new investments in printing-press related drying deodorizers and exhaust gas treatment systems in anticipation of a post-pandemic future.

Concerning our initiatives in new fields, we are currently in the process of considering various possibilities, having established in April 2022 a new section that focuses on development of new products, to lead the efforts. We continue to make steady progress in the development of a new failure prediction system that uses acoustic emission sensors (sensors that detect sound and vibration waves), and plan to work on development of other new products.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 19.3% to 665 million yen (in comparison with 824 million yen in the previous fiscal year), and the segment recorded a loss of 0 million yen (in comparison with profit of 32 million yen in the previous fiscal year).

(Promotion business of Industry 4.0)

For the full year, the segment enjoyed steady net sales and orders, and recorded increase in net sales. However, sales performance differed between precision vibration isolation systems and gear testing systems.

With respect to precision vibration isolation systems, inquiries from overseas customers were gradually picking up as we focused our efforts on rebuilding the sales structure of overseas subsidiaries. However, no full recovery of product sales could be achieved partly due to lockdown in China. For the full year, net sales recorded a decrease year on year.

Meanwhile, development of new products continued to make steady progress. We are in the trial production, evaluation and improvement stage of the mass-production model for many of the new products in preparation for their release in the next fiscal year. For some of these new products, we are receiving new inquiries.

We will continue to step up our efforts in acquiring new customers by developing new products and strengthening our sales activities, while paying attention to the situation in procurement of parts and other materials as well as overseas customers' capital investment trend.

In gear testing systems, strong market conditions continued over the full year for the machine tool industries, notably automotive and robotics industries in emerging countries led by China. As a result, the gear manufacturing industry also enjoyed robust market conditions which, combined with active capital investment by customers both in Japan and overseas, led to year-on-year increases in net sales, orders and order backlog.

Regarding FA image processing system, which is one of our new businesses, we continue to receive inquiries from automakers and several other companies. We are also conducting testing and trial production based on the samples received from each customer, staying in close contact with customers. We will strive to properly understand customer's requirements and ensure that these lead to new orders.

A new gear testing instrument is scheduled to be released next fiscal year, the "surface roughness measuring instrument" which is applicable to a wide range of inspections and for which we are receiving inquiries.

Going forward, we will seek to strengthen our competitiveness by focusing efforts on developing and expanding sales of new products, improving performance of existing products and other initiatives, taking into consideration the impact of lockdown in China on overseas customers and the risks including those associated with procurement of parts and other materials.

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 11.5% to 1,447 million yen (in comparison with 1,298 million yen in the previous fiscal year), and segment loss was 1 million yen (in comparison with 74 million yen in the previous fiscal year).

(2) Overview of financial position for the fiscal year under review

As of the end of the consolidated fiscal year under review (May 31, 2022), total assets amounted to 11,533 million yen, down 31 million yen compared to the amount held at the end of the previous consolidated fiscal year on May 31, 2021.

Current assets amounted to 10,216 million yen, an increase of 69 million yen over the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in accounts receivable – trade, up by 114 million yen, work in process, up by 345 million yen, and raw materials and supplies, up by 112 million yen, despite a 472 million yen decrease in cash and deposits.

Non-current assets amounted to 1,317 million yen, a decrease of 100 million yen in comparison to the end of the previous consolidated fiscal year.

As of the end of the consolidated fiscal year under review (May 31, 2022), liabilities amounted to 2,192 million yen, which is a decrease of 334 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective decreases in income taxes payable, down by 333 million yen, and bonds and borrowings including the current portions thereof, down by 234 million yen, despite a 134 million yen increase in notes and accounts payable – trade.

As of the end of the consolidated fiscal year under review (May 31, 2022), net assets amounted to 9,340 million yen, which is an increase of 302 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to recording of profit attributable to owners of parent of 761 million yen despite year-end dividends in the previous fiscal year of 225 million yen and a net increase of 250 million yen in treasury shares.

(3) Overview of cash flows for the fiscal year under review

For the consolidated fiscal year under review, cash and cash equivalents amounted to 6,740 million yen, which is a decrease of 470 million yen in comparison to the balance at the end of the previous consolidated fiscal year.

The status of each type of cash flow for the consolidated fiscal year under review is as follows.

(Cash flow from operating activities)
Net cash provided by operating activities during the consolidated fiscal year under review amounted to 423 million yen (in comparison with net cash provided by operating activities of 2,369 million yen in the previous fiscal year). This is mainly a result of having recorded profit before income taxes of 1,189 million yen, depreciation of 151 million yen, an 81 million yen decrease in trade receivables, and a 120 million yen increase in in trade payables, despite a 529 million yen increase in inventories and 737 million yen in income taxes paid.

(Cash flow from investing activities)
Net cash used in investing activities during the consolidated fiscal year under review amounted to 124 million yen (in comparison with net cash used in investing activities of 86 million yen in the previous fiscal year). This is mainly a result of having recorded 114 million yen in purchases of property, plant and equipment.

(Cash flow from financing activities)
Net cash used in financing activities during the consolidated fiscal year under review amounted to 832 million yen (in comparison with net cash provided in financing activities of 28 million yen in the previous fiscal year). This is mainly a result of having recorded 174 million yen in net expenditure of short-and long-term borrowings, 435 million yen in purchase of treasury shares, and 225 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2020	For the fiscal year ended May 31, 2021	For the fiscal year ended May 31, 2022
Shareholders’ equity ratio (%)	78.7	78.2	81.0
Shareholders’ equity ratio at market value (%)	254.1	232.2	216.0
Debt repayment period (years)	0.7	0.4	1.9
Interest coverage ratio (times)	122.9	252.7	48.2

(Notes) Shareholders’ equity ratio: Shareholders’ equity ÷ Total assets
Shareholders’ equity ratio at market value: Market capitalization ÷ Total assets
Debt repayment period: Interest-bearing debt ÷ Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities ÷ Payment of interest
* Market capitalization is calculated by multiplying the closing price of the Company’s shares at fiscal year-end by the number of shares outstanding at end of period.

(4) Forecasts

1) Overall outlook

In the next consolidated fiscal year (fiscal year ending May 31, 2023), uncertainties in the operating environment are likely to persist, in such aspects as procurement of parts and other materials and customers’ capital investment trend, in the face of global supply chain disruption as a consequence largely of COVID-19 and Russia-Ukraine situation.

Under such circumstances, we project the Group’s operating results in the next consolidated fiscal year to achieve increases in both net sales and profits, to be driven primarily by the expected increase in the percentage of the highly profitable products in the Internet of things related works.

In the promotion business of industry 4.0, with the scheduled launch of a new product, efforts will be made to expand sales that would lead to growth of the business over the medium to long term.

Specific financial results forecasts for the fiscal year ending May 31, 2023, are as follows:

(Millions of yen)

	For the fiscal year ended May 31, 2022 (Actual)	For the fiscal year ending May 31, 2023 (Forecast)	Year-on-year rate (%)
Net sales	6,017	7,623	26.7
Operating income	1,130	2,200	94.7
Ordinary income	1,196	2,224	85.9
Profit attributable to owners of parent	761	1,459	91.8

2) Business outlook by segment

[1] Internet of things related works

For the segment as a whole, we expect net sales to increase year on year, led by products for overseas customers.

Net sales of products for Japanese customers are expected to be solid, mainly associated with customers' investments in new plants.

Net sales of products for overseas customers are projected to remain strong, in view of the fact that orders have already been received for many products and the prospect that the steady trend in capital investment will continue. Further, full-scale introduction of pupil lens modules for major overseas customers has been set, with plan to gradually start offering the products.

With respect to customers' investment trends in the next consolidated fiscal year, we expect that there will be no change in customers' plan to strengthen production capacity as the image sensor market continues to expand. We therefore expect that demand for inspection illuminators and pupil lens modules will remain firm.

At the same time, we recognize that the operating environment will remain unstable reflecting stagnant demand for smartphones in some regions due in part to the Russia-Ukraine situation and shortage of parts and other materials due to supply chain disruptions. Such situation may prompt customers to change their capital investment intentions, thus calling for close monitoring of the social situation, customers' circumstances and other trends.

We forecast net sales in this segment for the full year of 5,348 million yen.

[2] Environmental energy related works

While advertising demand and customers' capital investment both for replacement and in new equipment are on a recovery trend in anticipation of a post-pandemic future, global shortage of parts and other materials has resulted in longer lead time for maintenance projects and also for equipment such as drying deodorizers. Thus, although orders and order backlog are at high levels, because they include projects for which revenue recognition has been postponed to the next consolidated fiscal year or later, net sales in the next consolidated fiscal year are expected to be flat year on year.

We forecast net sales in this segment for the full year of 679 million yen.

[3] Promotion business of Industry 4.0

We estimate market conditions for the segment to remain uncertain due to pandemic-induced lockdown in China and supply chain disruption. We will work on mitigation measure in each of our businesses and expect to achieve year-on-year increase in net sales.

In precision vibration isolation systems, we will continue our efforts to strengthen our overseas sales system to promote sales to overseas customers. Steady progress has been made in improving the performance of existing products and developing new products, with plan to launch these and contribute to sales performance in the next fiscal year.

In gear testing systems, we expect customers will remain eager to investment given buoyant market conditions for the machine tool industries, and project an increase in net sales of existing products. We are receiving many inquiries on our new FA image processing equipment (gear-defect detection system), and will continue to focus on expanding sales. With steady progress made in the development of a new gear testing instrument, the surface roughness measuring instrument which is applicable to a wide range of inspections, we are planning to launch this new product during the next consolidated fiscal year.

Based on these conditions, we forecast segment sales to rise year on year to 1,596 million yen.

2. Basic Policy on the Selection of Accounting Standards

The Inter Action Group prepares its consolidated financial statements based on Japanese accounting standards, taking into account the notions of consistency of the financial statements between different periods and comparability between the financial statements of different companies.

As for the adoption of international accounting standards (IFRS), the Group will apply the appropriate policy taking into consideration the situation both in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	7,224,091	6,751,660
Notes receivable – trade	52,329	43,177
Accounts receivable – trade	623,189	738,000
Electronically recorded monetary claims – operating	754,129	716,488
Operational investment securities	38,077	36,549
Merchandise and finished goods	148,305	167,254
Work in process	797,317	1,142,354
Raw materials and supplies	466,966	579,614
Other	69,290	69,594
Allowance for doubtful accounts	(27,308)	(28,624)
Total current assets	10,146,389	10,216,069
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,787	714,806
Accumulated depreciation	(431,416)	(450,904)
Buildings and structures, net	283,370	263,901
Machinery, equipment and vehicles	526,411	509,886
Accumulated depreciation	(451,340)	(457,929)
Machinery, equipment and vehicles, net	75,071	51,957
Land	165,149	165,149
Other	532,514	587,792
Accumulated depreciation	(387,446)	(447,508)
Other, net	145,067	140,284
Total property, plant and equipment	668,658	621,292
Intangible assets		
Goodwill	234,725	185,882
Other	37,392	25,916
Total intangible assets	272,117	211,798
Investments and other assets		
Investment securities	130,423	130,437
Deferred tax assets	222,193	221,064
Other	205,707	214,268
Allowance for doubtful accounts	(80,967)	(81,623)
Total investments and other assets	477,356	484,147
Total non-current assets	1,418,133	1,317,238
Total assets	11,564,522	11,533,308

(Unit: Thousands of yen)

	As of May 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	360,701	495,551
Short-term borrowings	210,000	180,000
Current portion of bonds payable	60,000	30,000
Current portion of long-term borrowings	144,815	69,902
Income taxes payable	476,487	143,282
Provision for product warranties	23,887	18,632
Provision for share awards for directors (and other officers)	194,300	133,000
Other	304,022	475,640
Total current liabilities	1,774,214	1,546,008
Non-current liabilities		
Bonds payable	30,000	—
Long-term borrowings	593,856	523,954
Provision for share awards	3,842	8,457
Retirement benefit liability	97,941	87,716
Asset retirement obligations	10,150	10,150
Other	16,515	16,130
Total non-current liabilities	752,305	646,409
Total liabilities	2,526,520	2,192,417
Net assets		
Shareholders' equity		
Share capital	1,760,299	1,760,299
Capital surplus	3,352,855	3,352,855
Retained earnings	4,826,850	5,362,752
Treasury shares	(892,028)	(1,142,686)
Total shareholders' equity	9,047,977	9,333,221
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,976)	7,669
Total accumulated other comprehensive income	(9,976)	7,669
Total net assets	9,038,001	9,340,890
Total liabilities and net assets	11,564,522	11,533,308

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

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2021	For the fiscal year ended May 31, 2022
Net sales	6,627,997	6,017,220
Cost of sales	3,184,696	3,280,880
Gross profit	3,443,300	2,736,339
Selling, general and administrative expenses		
Sales commission	283,408	196,567
Remuneration for directors (and other officers)	352,761	309,852
Salaries and allowances	292,033	301,356
Retirement benefit expenses	9,362	7,181
Provision for product warranties	4,563	3,737
Research and development expenses	61,142	100,208
Commission expenses	141,176	123,430
Other	547,107	563,543
Total selling, general and administrative expenses	1,691,555	1,605,878
Operating income	1,751,744	1,130,461
Non-operating income		
Interest income	512	339
Dividend income	50	50
Income from assets for rent	13,063	9,383
Foreign exchange gains	8,975	60,335
Subsidy income	14,336	5,812
Miscellaneous income	18,480	15,878
Total non-operating income	55,419	91,799
Non-operating expenses		
Interest expenses	8,549	8,558
Expenses of assets for rent	10,216	12,136
Share of loss of entities accounted for using equity method	1,725	978
Commission expenses	36,000	—
Miscellaneous losses	1,952	3,833
Total non-operating expenses	58,445	25,507
Ordinary income	1,748,718	1,196,754
Extraordinary income		
Gain on sales of non-current assets	—	338
Gain on sale of shares of subsidiaries and associates	—	3,760
Total extraordinary income	—	4,098
Extraordinary losses		
Loss on retirement of non-current assets	7,954	10,096
Loss on sales of non-current assets	—	1,514
Total extraordinary losses	7,954	11,610
Profit before income taxes	1,740,763	1,189,242
Income taxes – current	629,855	427,007
Income taxes – deferred	(48,382)	1,129
Total income taxes	581,473	428,136
Profit	1,159,290	761,106
Profit attributable to owners of parent	1,159,290	761,106

(Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2021	For the fiscal year ended May 31, 2022
Profit	1,159,290	761,106
Other comprehensive income		
Foreign currency translation adjustment	27,242	14,942
Share of other comprehensive income of entities accounted for using equity method	(1,375)	2,703
Total other comprehensive income	25,866	17,645
Comprehensive income	1,185,156	778,751
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,185,156	778,751
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in shareholders' equity

For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,760,299	3,352,855	3,870,244	(1,074,588)	7,908,811
Changes of items during period					
Dividends of surplus			(202,684)		(202,684)
Profit attributable to owners of parent			1,159,290		1,159,290
Purchase of treasury shares				(73)	(73)
Transfer of treasury shares by trust				182,634	182,634
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	956,605	182,560	1,139,166
Balance at end of current period	1,760,299	3,352,855	4,826,850	(892,028)	9,047,977

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	(35,842)	(35,842)	7,872,968
Changes of items during period			
Dividends of surplus			(202,684)
Profit attributable to owners of parent			1,159,290
Purchase of treasury shares			(73)
Transfer of treasury shares by trust			182,634
Net changes of items other than shareholders' equity	25,866	25,866	25,866
Total changes of items during period	25,866	25,866	1,165,032
Balance at end of current period	(9,976)	(9,976)	9,038,001

For the fiscal year ended May 31, 2022 (June 1, 2021 – May 31, 2022)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,760,299	3,352,855	4,826,850	(892,028)	9,047,977
Changes of items during period					
Dividends of surplus			(225,204)		(225,204)
Profit attributable to owners of parent			761,106		761,106
Purchase of treasury shares				(435,024)	(435,024)
Transfer of treasury shares by trust				184,365	184,365
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	535,901	(250,658)	285,243
Balance at end of current period	1,760,299	3,352,855	5,362,752	(1,142,686)	9,333,221

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	(9,976)	(9,976)	9,038,001
Changes of items during period			
Dividends of surplus			(225,204)
Profit attributable to owners of parent			761,106
Purchase of treasury shares			(435,024)
Transfer of treasury shares by trust			184,365
Net changes of items other than shareholders' equity	17,645	17,645	17,645
Total changes of items during period	17,645	17,645	302,889
Balance at end of current period	7,669	7,669	9,340,890

(4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2021	For the fiscal year ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,740,763	1,189,242
Depreciation	141,186	151,038
Amortization of goodwill	48,842	48,842
Increase (decrease) in allowance for doubtful accounts	59,865	1,958
Increase (decrease) in provision for product warranties	(2,412)	(5,278)
Increase (decrease) in provision for share benefits	822	4,614
Increase (decrease) in provision for share awards for directors (and other officers)	(5,100)	(61,300)
Increase (decrease) in provision for loss on liability guarantee	(58,000)	—
Increase (decrease) in net defined benefit liability	6,471	(8,157)
Interest and dividend income	(562)	(389)
Interest expenses and guarantees	8,856	8,699
Foreign exchange losses (gains)	(5,647)	(54,347)
Loss on valuation of inventories	59,594	59,692
Commission expenses	36,000	—
Loss on retirement of non-current assets	7,954	10,096
Loss (gain) on sales of property, plant and equipment	—	1,175
Loss (gain) on sale of shares of subsidiaries and associates	—	(3,760)
Decrease (increase) in trade receivables	740,706	81,132
Decrease (increase) in inventories	52,390	(529,720)
Decrease (increase) in investment securities for sale	7,145	1,528
Increase (decrease) in notes and accounts payable – trade	(112,044)	120,358
Increase/decrease in other assets/liabilities	(43,172)	153,843
Subtotal	2,683,660	1,169,270
Interest and dividend income received	561	406
Interest and guarantees paid	(9,377)	(8,784)
Income taxes paid	(305,248)	(737,816)
Net cash provided by (used in) operating activities	2,369,596	423,076
Cash flows from investing activities		
Payments into time deposits	(3,000)	(4,300)
Proceeds from withdrawal of time deposits	23,000	6,000
Purchase of property, plant and equipment	(106,895)	(114,335)
Proceeds from sale of property, plant and equipment	—	1,376
Purchase of shares of subsidiaries and associates	—	(11,500)
Payments of leasehold and guarantee deposits	(1,000)	(6,018)
Proceeds from refund of leasehold and guarantee deposits	643	1,527
Proceeds from sale of shares of subsidiaries and associates	—	2,404
Other	12,956	(10)
Net cash provided by (used in) investing activities	(86,948)	(124,855)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20,000	(30,000)
Proceeds from long-term borrowings	640,000	—
Repayments of long-term borrowings	(367,601)	(144,815)
Redemption of bonds	(60,000)	(60,000)
Repayments of finance lease obligations	(9,358)	(10,903)
Purchase of treasury shares	(73)	(435,024)
Proceeds from sales of treasury shares	43,891	74,049
Dividends paid	(202,664)	(225,442)
Commission expenses	(36,000)	—
Net cash provided by (used in) financing activities	28,193	(832,135)
Effect of exchange rate change on cash and cash equivalents	26,916	63,183
Net increase (decrease) in cash and cash equivalents	2,337,758	(470,731)
Cash and cash equivalents at beginning of period	4,873,325	7,211,083
Cash and cash equivalents at end of period	7,211,083	6,740,352

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition and related guidance)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") from the beginning of the consolidated fiscal year under review. Accordingly, revenue is recognized at a point in time when control of promised goods or services is transferred to customers, at the amount that is expected to be received in exchange for the goods or services. There is no change in accounting treatment associated with the foregoing.

Therefore, the adoption of the Accounting Standard for Revenue Recognition and related guidance has no impact on the quarterly consolidated financial statements.

675,519 thousand yen of "Notes and accounts receivable – trade", which were stated under "Current assets" in the consolidated balance sheets of the previous consolidated fiscal year, are reclassified to 52,329 thousand yen of "Notes receivable – trade" and 623,189 thousand yen of "Accounts receivable – trade."

(Application of accounting standard for fair value measurement and related guidance)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") and related guidance from the beginning of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement and related guidance will be applied into the future.

This will have no impact on the quarterly consolidated financial statements.

(Additional information)

(Stock benefit trust system that delivers company shares to employees through the trust)

1. Overview of transactions

The Company has adopted an incentive plan "Employee Stock Ownership Plan (J-ESOP)" (hereinafter, "the System") for employees that offers them a stake in the Company's shares. We hope this will help to enhance employee motivation and morale, and thereby the Company's stock price and performance, by increasing the correlation between our stock price, business performance, and the treatment of employees, and sharing the economic effects with our shareholders.

The system is a mechanism for distributing the Company's shares to employees that meet certain criteria in accordance with the stock benefit regulations established in advance by the Company. The Company will award employees points according to their personal contribution, etc. and distribute shares equivalent to the points awarded when the entitlement is gained under certain conditions.

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as "treasury shares" (excluding the amount of incidental costs) under net assets. At the end of the previous fiscal year and at the end of the third quarter of the consolidated fiscal year under review, the treasury shares in question had a book value of 13,736,000 yen (27,400 shares).

(A performance-linked stock compensation system that distributes the company's shares via a trust to the directors)

1. Overview of transactions

We have adopted a "Board Benefit Trust" (hereinafter, "BBT") that awards the Company's shares to directors. The purpose of the BBT is to further clarify the correlation between the remuneration of directors and the Company's performance and stock value. We hope this will not only contribute to boosting the stock price, but also contribute to increasing awareness of the importance of improving earnings and expanding corporate value over the longer term by sharing the risk of stock price downside with shareholders.

In the BBT system, the Company's stock is acquired through a trust using funds contributed by the Company.

The BBT is a performance-based stock compensation plan in which the Company's stock is paid annually through a trust based on points granted to directors in accordance with their position and performance based on the director stock benefit regulations established by the Board of Directors.

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as "treasury shares" (excluding the amount of incidental costs) under net assets. At the end of the previous fiscal year, the treasury shares in question had a book value of 684,166,000 yen (237,128 shares). And at the end of the third quarter of the consolidated fiscal year under review, the treasury shares in question had a book value of 499,801,000 yen (173,228 shares).

(Implications of COVID-19, Russia-Ukraine situation and related issues for accounting estimates)

Although it is still difficult to make predictions on when the COVID-19 pandemic will be contained, we do not expect COVID-19 to have a major impact on accounting estimates for the end of the consolidated fiscal year under review.

As the future of the Russia–Ukraine situation is unclear and its impact on economic activities are highly uncertain, we need to pay attention to any developments in the situation in the period ahead. However, we do not expect these will have a major impact on accounting estimates for the end of the consolidated fiscal year under review.

(Segment information)

1. Overview of reportable segments

The Inter Action Group has three reportable segments consisting of the "Internet of things related works," "environmental energy related works," and "promotion business of Industry 4.0." Accordingly, the three segments constitute those units of the company and its consolidated subsidiaries for which discrete financial information is available and for which the Board of Directors regularly conducts review for the purpose of making decisions about allocating management resources and assessing financial results.

The Internet of things related works segment mainly develops, manufactures and sells products such as inspection illuminators used in manufacturing processes for imaging semiconductors (CCD and C-MOS image sensors) at the Company; the environmental energy related works segment mainly develops, manufactures and sells Air Gases Technos Co., Ltd.'s drying deodorizers for web offset printing presses, exhaust gas treatment systems and other such products; and the promotion business of the Industry 4.0 segment mainly develops, manufactures and sells products such as precision vibration isolation systems, particularly of Meiritz Seiki Co., Ltd. and its subsidiaries, and also plans, designs, manufactures, and sells gear testing machines of Tokyo Technical Instruments Inc. and its subsidiaries.

2. Methods for calculating the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

The accounting standards and methods that are used with respect to the reportable business segments are generally identical to accounting methods applied to present consolidated financial statements, with the exception of accounting standards for measures of inventories. The Company measures inventory assets at values prior to recording their book values on the basis of decreased profitability.

Income in the reportable segments is based on operating income. Intra-segment internal income and transfer amounts are based on actual market prices.

3. Information on the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total	Adjustments *1	Amount recorded in the Consolidated Financial Statements
Net sales						
Sales to external customers	4,505,539	824,077	1,298,380	6,627,997	—	6,627,997
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	4,505,539	824,077	1,298,380	6,627,997	—	6,627,997
Segment income (loss) *2	2,536,533	32,046	(74,689)	2,493,889	(742,145)	1,751,744
Segment assets	8,874,696	741,756	1,825,049	11,441,503	123,018	11,564,522
Other items						
Depreciation	82,711	6,240	29,303	118,255	22,931	141,186
Increases in property, plant and equipment, and intangible assets	64,343	3,760	48,878	116,982	2,565	119,547

(Notes) 1. The adjustments consist of the following.

(1) The adjusted amount of segment income (loss) includes negative 683,175,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 59,594,000 yen in inventory adjustments, and 624,000 yen in intra-segment elimination.

(2) The adjusted amount of segment assets includes Company-wide assets of 123,018,000 yen. The Company-wide assets consist mainly of assets associated with the Company's administrative operations.

(3) The adjusted amounts with respect to depreciation, or otherwise increases in property, plant and equipment, and intangible assets are attributable to assets of head office administrative operations.

2. Segment income (loss) is adjusted to operating income in the consolidated financial statements.

For the fiscal year ended May 31, 2022 (June 1, 2021 – May 31, 2022)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy-related business	Promotion business of Industry 4.0	Total	Adjustments *1	Amount recorded in the Consolidated Financial Statements
Net sales						
Sales to external customers	3,904,770	665,403	1,447,046	6,017,220	—	6,017,220
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	3,904,770	665,403	1,447,046	6,017,220	—	6,017,220
Segment income (loss)*2	1,865,351	(12)	(1,140)	1,864,119	(733,737)	1,130,461
Segment assets	8,812,709	770,804	1,850,331	11,433,844	99,463	11,533,308
Other items						
Depreciation	97,389	5,648	28,529	131,567	19,471	151,038
Increases in property, plant and equipment, and intangible assets	79,774	—	45,285	125,059	775	125,835

(Notes) 1. The adjustments consist of the following.

(1) The adjusted amount of segment income (loss) includes negative 674,153,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 59,692,000 yen in inventory adjustments, and 408,000 yen in intra-segment elimination.

(2) The adjusted amount of segment assets includes Company-wide assets of 99,463,000 yen. The Company-wide assets consist mainly of assets associated with the Company's administrative operations.

(3) The adjusted amounts with respect to depreciation, or otherwise increases in property, plant and equipment, and intangible assets are attributable to assets of head office administrative operations.

2. Segment income (loss) is adjusted to operating income in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)	Current consolidated fiscal year (June 1, 2021 to May 31, 2022)
Net assets per share	821.96 yen	859.88 yen
Profit per share	105.61 yen	69.58 yen

(Notes) 1. Profit per share–diluted is not stated because there are no potential shares.

2. The basis for calculating profit per share and profit per share–diluted is as follows.

	Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)	Current consolidated fiscal year (June 1, 2021 to May 31, 2022)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	1,159,290	761,106
Amount not attributable to common shareholders (thousands of yen)	–	–
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	1,159,290	761,106
Average number of shares of common stock during the fiscal year (shares)	10,976,608	10,939,261

3. The calculation of net assets per share includes Inter Action stock held by stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts, in addition to treasury shares excluding the total number of shares issued and outstanding as of the end of the fiscal year. The trust accounts held amounted to 264,528 Company shares as of the end of the previous consolidated fiscal year (May 31, 2021), and 200,628 shares as of the end of the consolidated fiscal year under review (May 31, 2022). The average number of shares of common stock during the fiscal year includes Inter Action stock held by stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts, in addition to the treasury shares excluded from the calculation. The average number of shares of Inter Action stock held by the trust accounts amounted to 283,634 Company shares during the previous consolidated fiscal year, and 219,725 shares during the consolidated fiscal year under review.

(Significant subsequent events)

No items to report.

4. Supplementary explanation of consolidated financial results for the fiscal year ended May 31, 2022

(1) Status of production, orders and sales

1) Production results

Segment	Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)	Current consolidated fiscal year (June 1, 2021 to May 31, 2022)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	4,870,855	3,942,636	(928,219)	(19.1)
Environmental energy-related business	729,333	761,801	(32,468)	4.5
Promotion business of Industry 4.0	1,319,683	1,630,294	310,610	23.5
Total	6,919,872	6,334,732	(585,140)	(8.5)

(Notes) 1. Amounts presented in the table are based on sales amounts.
2. Production results include the results achieved with respect to outsourcing.

2) Orders received

Segment	Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)		Current consolidated fiscal year (June 1, 2021 to May 31, 2022)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things-related business	4,838,672	1,707,922	5,599,238	3,394,193	760,565	1,686,270
Environmental energy-related business	703,972	276,929	1,058,229	678,617	354,257	401,687
Promotion business of Industry 4.0	1,136,142	115,280	1,433,738	277,133	297,596	161,852
Total	6,678,786	2,100,132	8,091,205	4,349,943	1,412,419	2,249,811

(Note) The above amounts do not include the results of the operations that engage in make-to-stock production.

3) Sales results

Segment	Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)	Current consolidated fiscal year (June 1, 2021 to May 31, 2022)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things-related business	4,505,539	3,904,770	(600,769)	(13.3)
Environmental energy-related business	824,077	665,403	(158,674)	(19.3)
Promotion business of Industry 4.0	1,298,380	1,447,046	148,666	11.5
Total	6,627,997	6,017,220	(610,776)	(9.2)