

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

On Tuesday, July 12, 2022, an online financial results briefing was held for analysts and institutional investors for the fiscal year ended May 31, 2022.

(Tuesday, July 12, 2022, 5:30 p.m. to 6:30 p.m.)

1. Explanation of the Overview of Financial Results for the Fiscal Year Ended May 31, 2022
(Nobuo Kiji, CEO & President)
2. Q&A

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

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Fiscal Year Ending May 31, 2022
(30th Business Year)
Financial Results Briefing Session



INTER ACTION Corporation

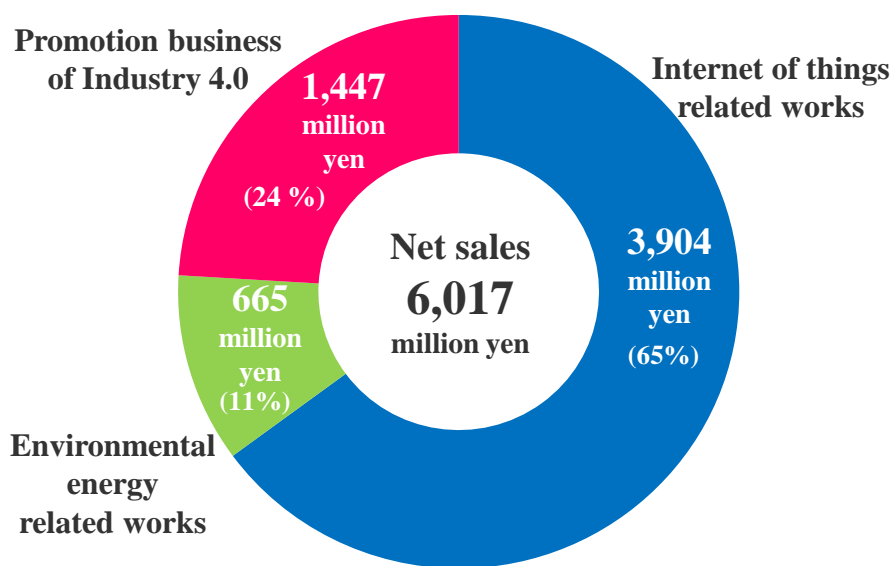
Securities code: 7725

Nobuo Kiji,
CEO & President

July 12, 2022

* We kindly ask all participants to refrain from video or audio recording of this presentation.

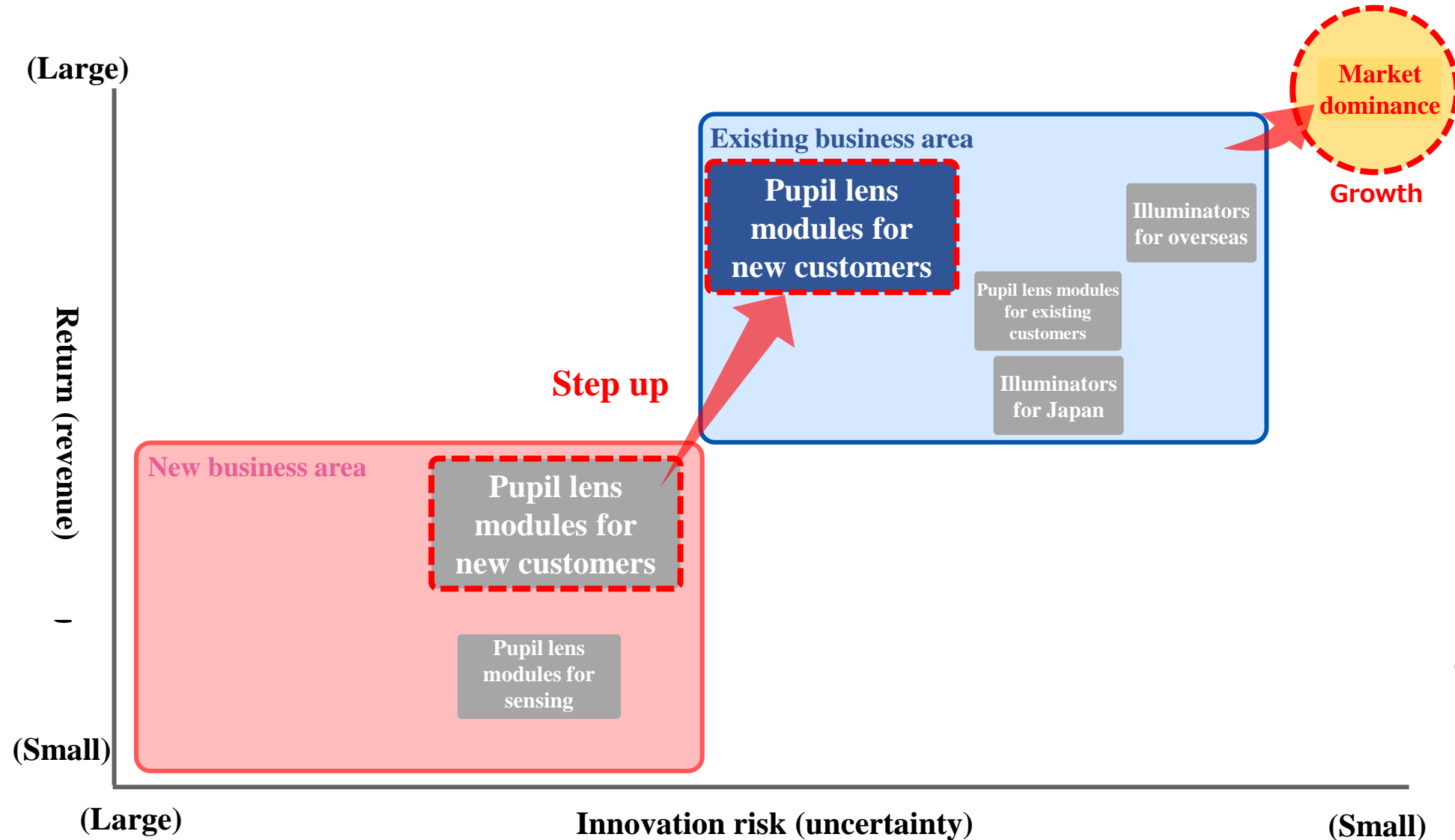
Summary of Full-Year Financial Results



(Millions of yen)	FYE May 2021	FYE May 2022	Change YoY (%)
Net sales	6,627	6,017	(9.2)
Operating income	1,751	1,130	(35.5)
Ordinary income	1,748	1,196	(31.6)
Profit attributable to owners of parent	1,159	761	(34.3)
Profit per share	105.61 yen	69.58 yen	-

- Consolidated financial results saw year-on-year decreases in both net sales and profits due largely to net sales and profit declines in the internet of things related works segment.
- Performance of the Internet of things related works segment was affected by postponement of customers' equipment start-up resulting from global chain supply disruption and other factors that led to longer lead time for all peripheral devices, other than our equipment, that are required for image sensor inspection.
- Orders and order backlog in the internet of things related segment both achieved record highs, at 5.5 billion yen and 3.3 billion yen, respectively.

Internet of Things Related Works: Changes in Product Portfolio



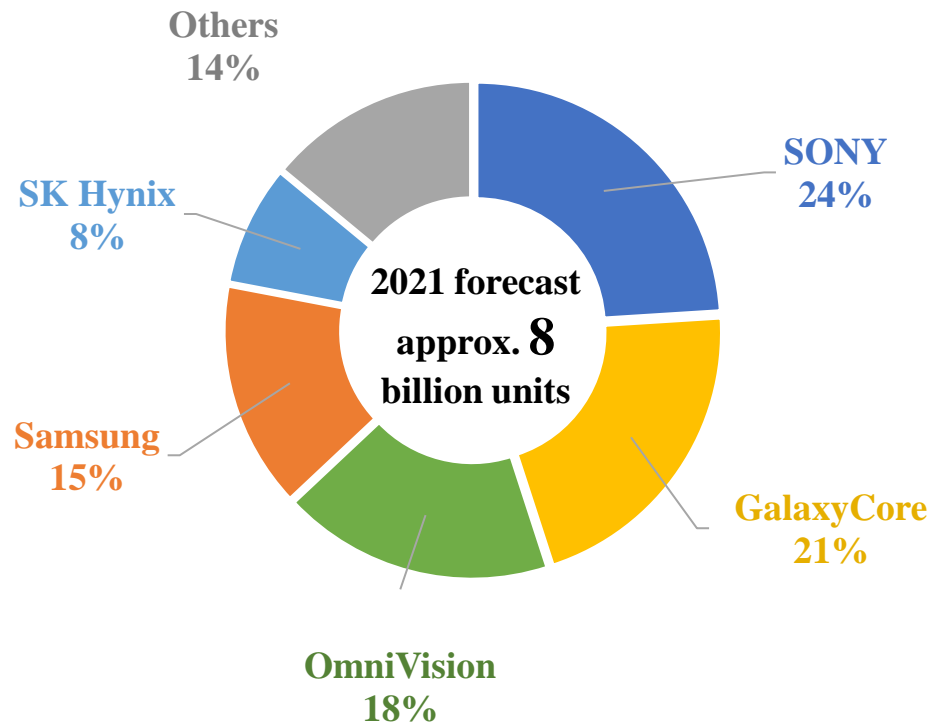
Successful expansion of product sales

Stepped up from new business to existing business

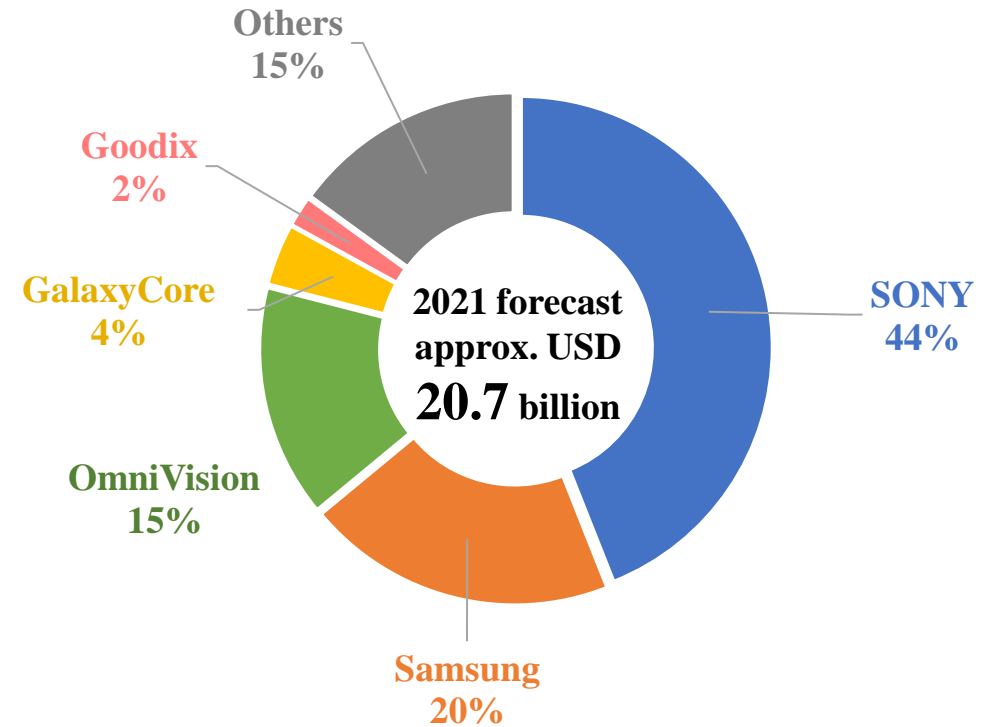
(* Specific delivery schedule and other details are yet to be confirmed)

Internet of Things Related Works: CMOS Sensor Market

Volume share of CMOS sensors



Value share of CMOS sensors





Internet of Things Related Works: Targets and Initiatives Vis-à-vis Market Trends

Image sensor market trend*

*As of May 31, 2022

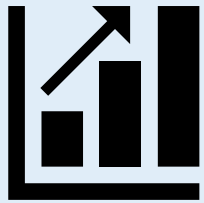
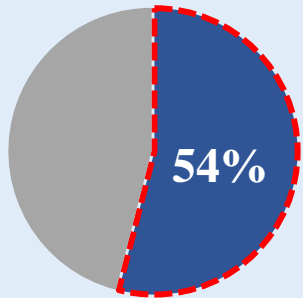


Image sensor market
9% annual growth



High-end image sensors as a percentage of the image sensor market (volume-based)
54%

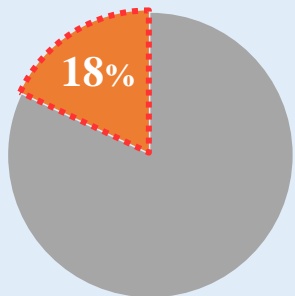


Image sensors for automotive, security, and industrial equipment, as a percentage of the image sensor market (value-based)
18%

Targets and initiatives vis-à-vis market trends

Illuminators
for high-end image sensors
Market share expansion
(domestic market in particular)

Pupil lens modules
Market share expansion
+
Market penetration

Development of new equipment for various devices

Targets

May 31, 2022

Targets

59%
(Value-based)

Up 10%
or higher

69%
or higher

24%
(Customer share value-based)

Up 10%
or higher

34%
or higher

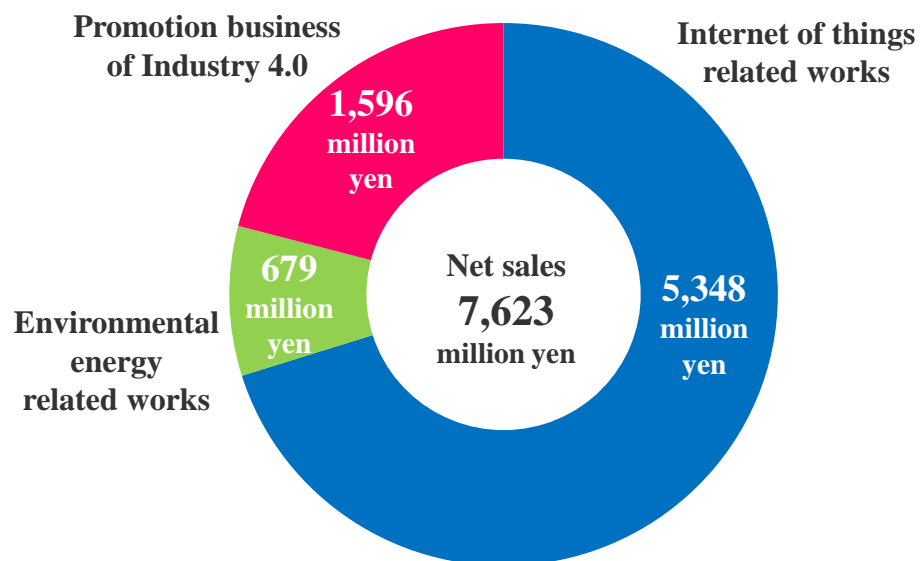
Image Sensor-
Related Business
Strategy Themes
(Sub-themes)

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

To be The Hidden Champion

To be The King maker

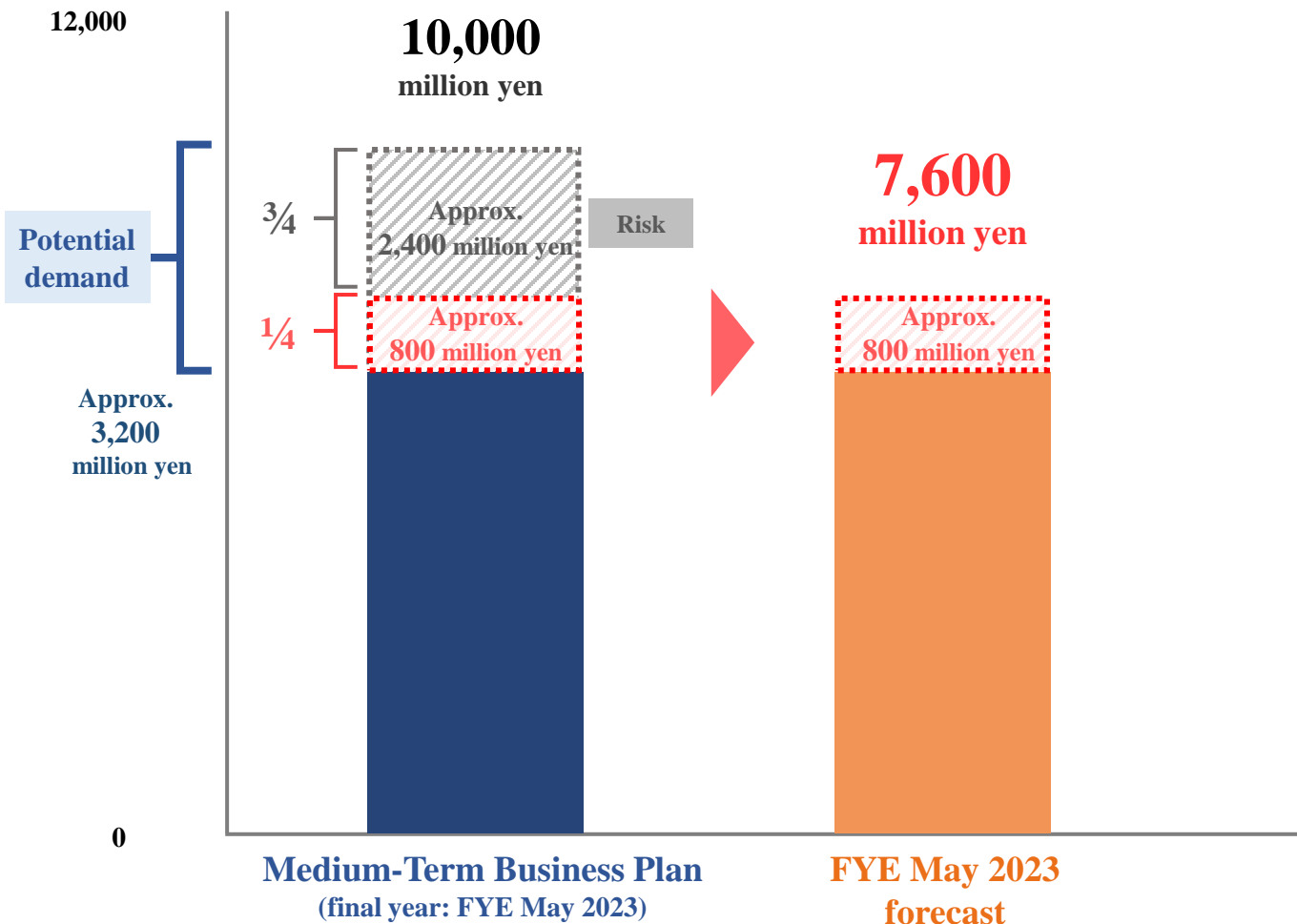
Forecast of Consolidated Financial Results for the Fiscal Year Ending May 2023



(Millions of yen)	FYE May 2022	FYE May 2023 forecast	Change YoY
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%
Profit per share	69.58 yen	134.36 yen	—

Variance Between Medium-Term Business Plan and Earnings Forecasts for FY ending May 2023 (Net Sales)

(Millions of yen)



Medium-Term Business Plan

Against Medium-Term Business Plan target of **10,000 million yen**, demand equivalent to **approx. 3,200 million yen** is unclear due in part to customers' revision of their capital investment plans in the face of supply chain disruption.

Recognized as "**potential demand**"

FYE May 2023 forecast

While inquiries are coming in, because there are uncertainties including whether or not orders will be received during FYE May 2023 and timing of revenue recognition

1/4 of potential demand

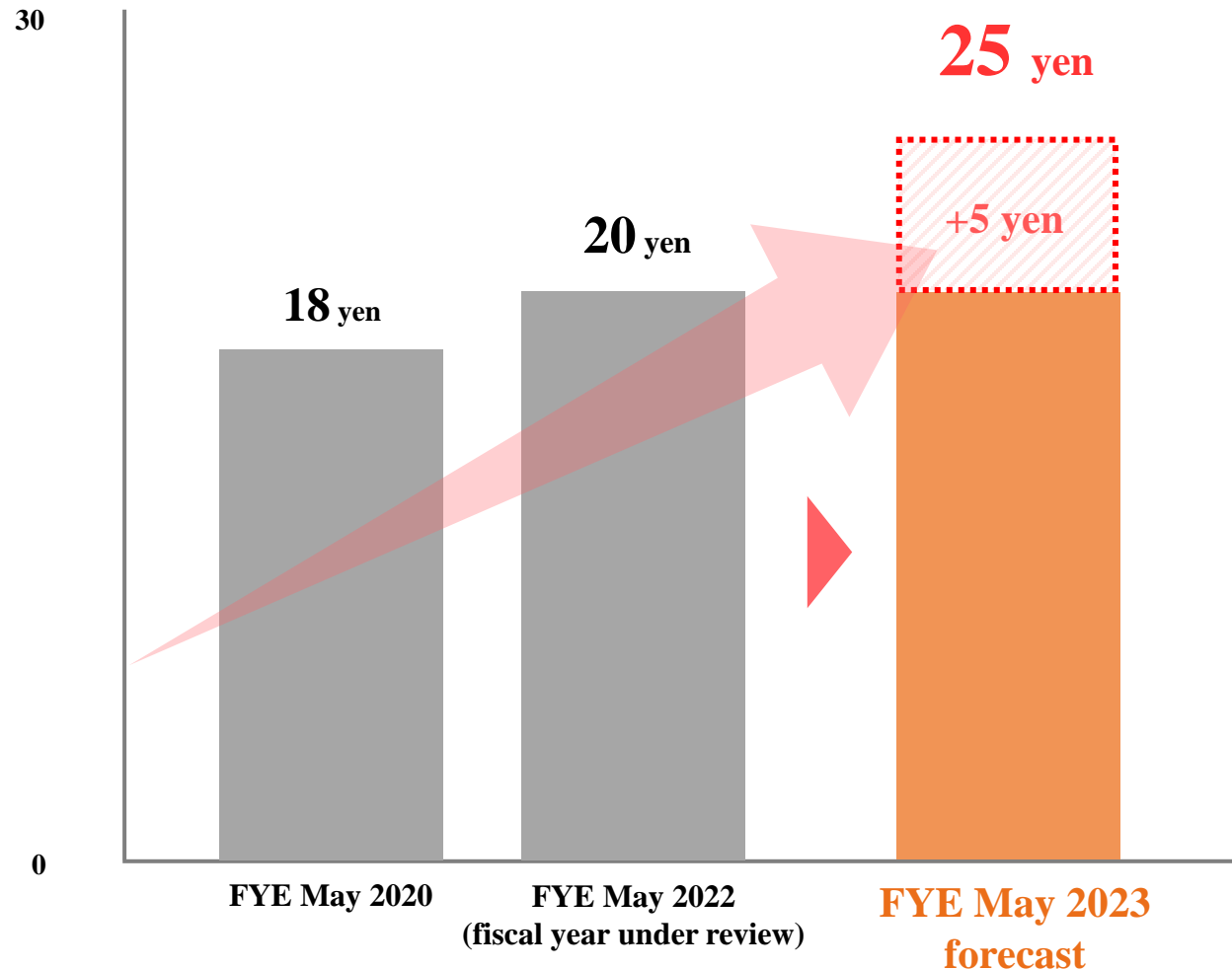
approx. 800 million yen

is included in earnings forecasts.

Remaining 3/4 is viewed as a risk and not included in earnings forecasts.

Year-end Dividends for FYE May 2023

[Yen]



**Year-end dividends for FYE
May 2023**

25 yen per share

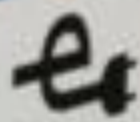
Plan to increase dividend by
5 yen from end of the fiscal
year under review

Our mission:

Bring innovation to customers and society
through manufacturing from an optical
perspective

HASETEC... X 三井不動産

急速充電器



HASETEC...



Lalaport

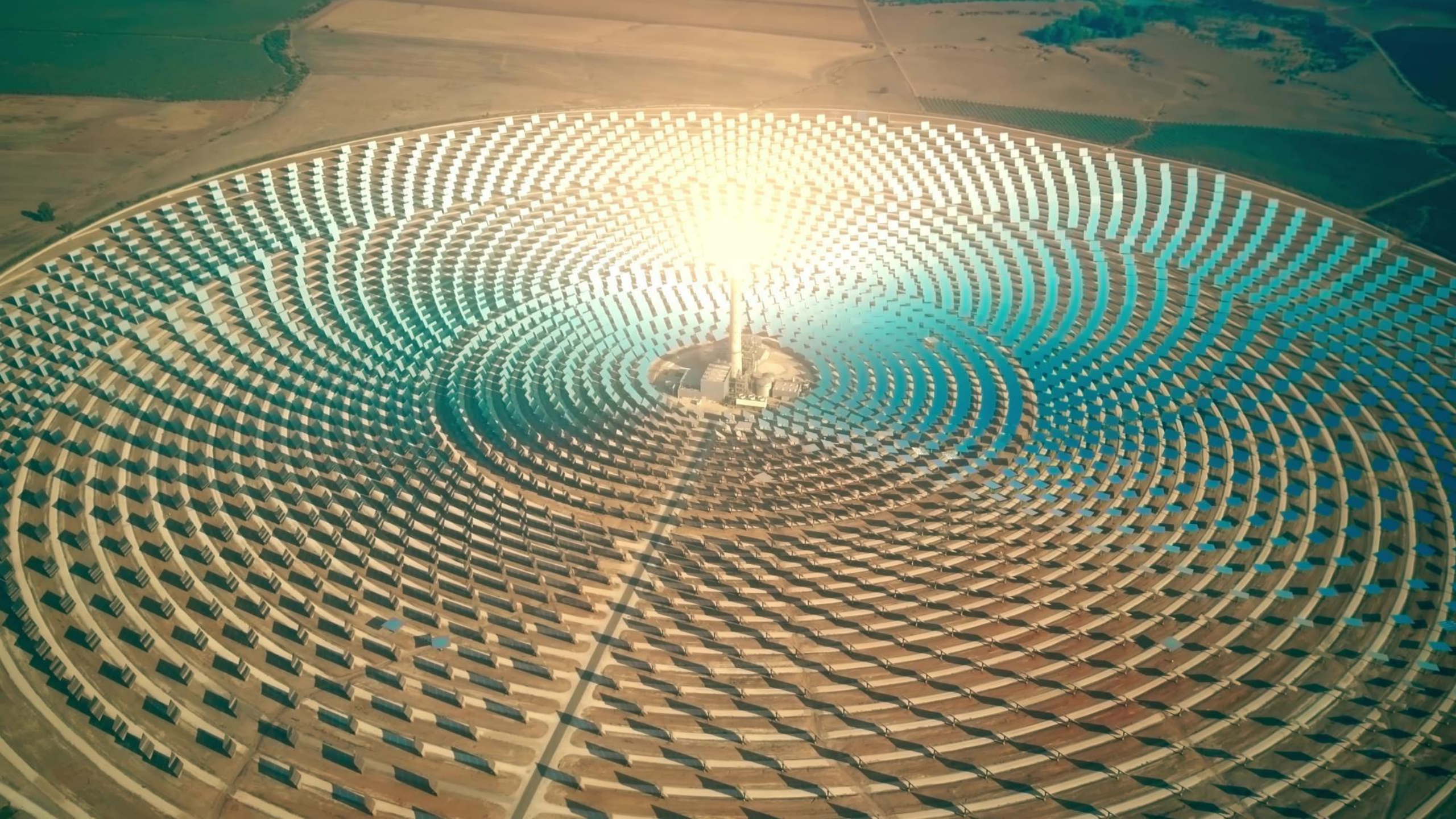


Features of Important Devices

High-voltage
resistance

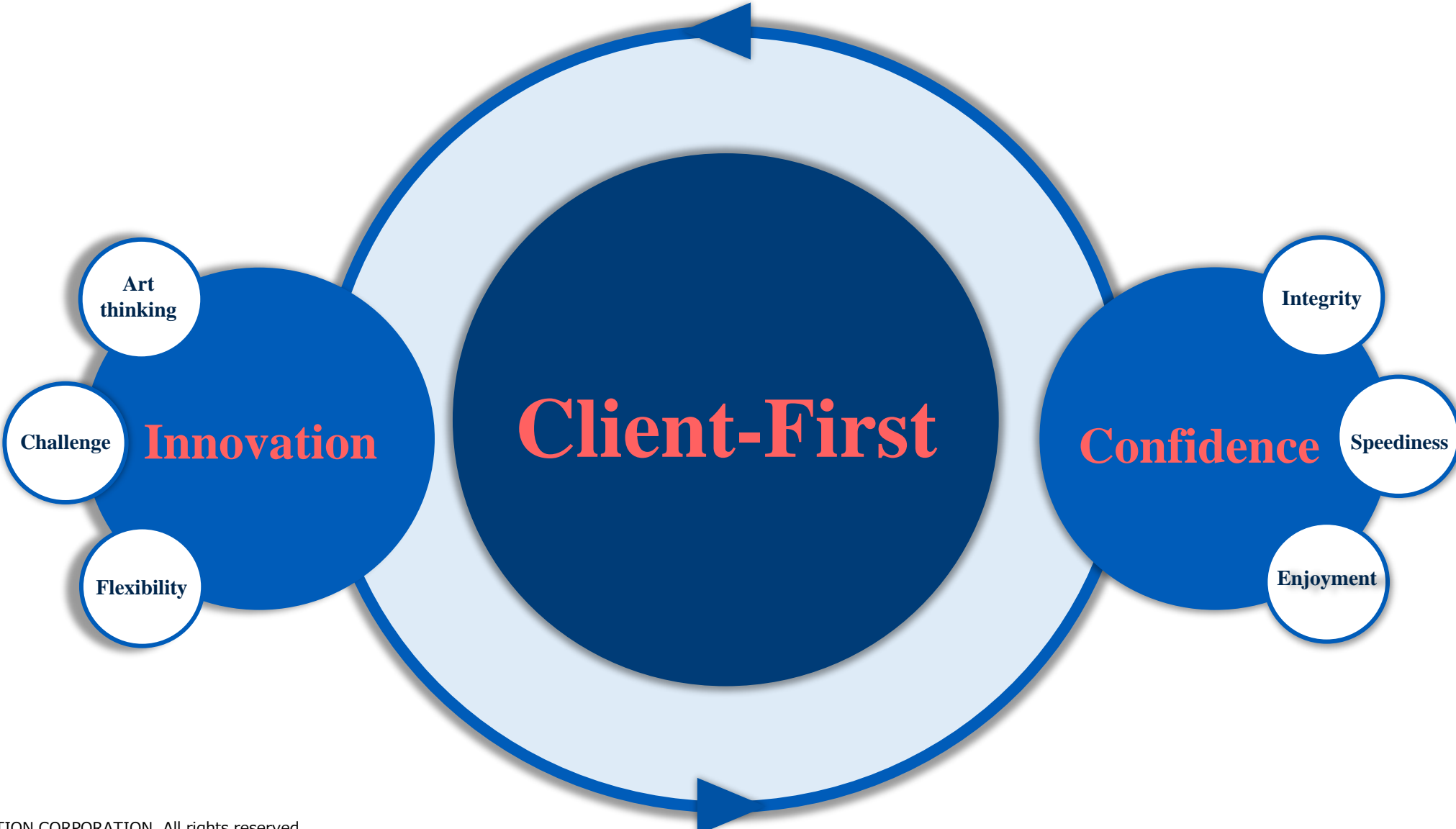
High
efficiency

High speed
control

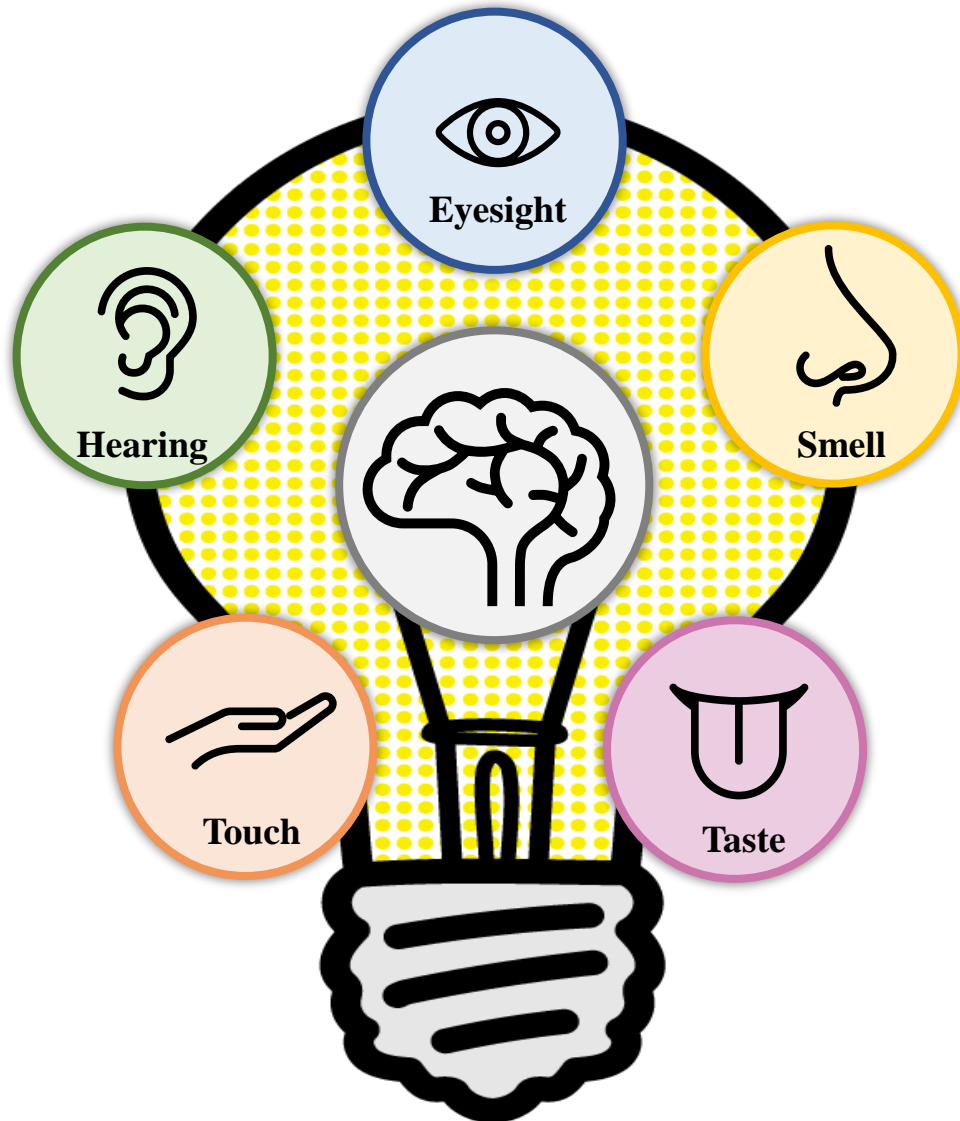




Integration of Corporate Value and Technology: Innovation × Confidence



Solutions as We Head Toward the 50th Anniversary



Optics-focused
manufacturing

×

Five senses

IA's raison d'être (Vision)

Optical Innovation

Realize a happy society through manufacturing from an optical perspective

Appendix

■ Overview of Financial Results for the Fiscal Year Ended May 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

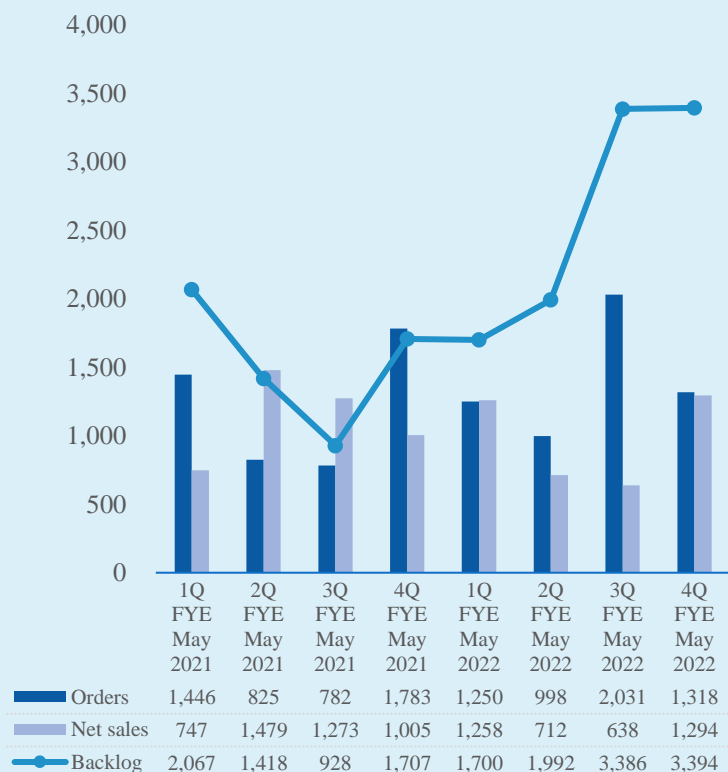
– **Company Profile** –

Overview of Financial Results for the Fiscal Year Ended May 31, 2022

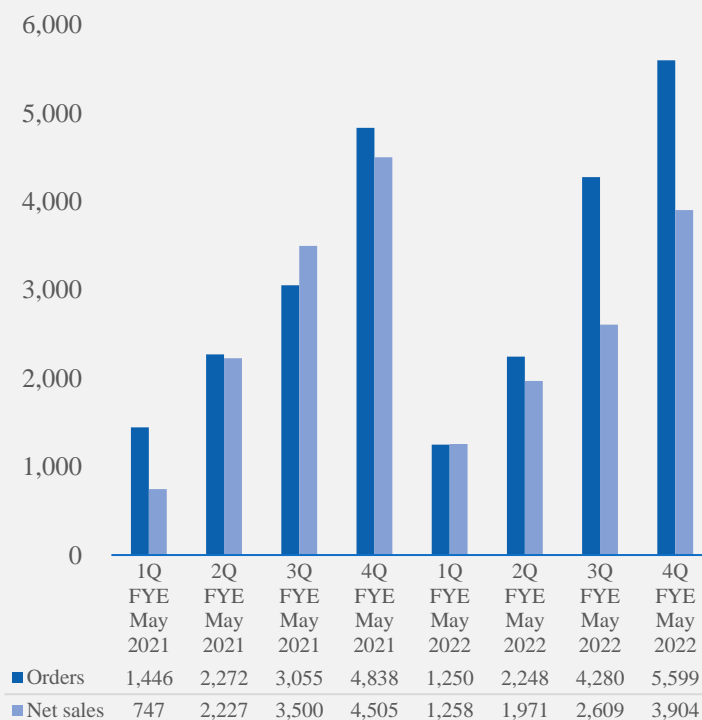
1) Internet of Things Related Works Segment

- The segment as a whole recorded decreases in both net sales and profits due to year-on-year declines in sales of pupil lens modules for domestic customers and products for overseas customers, offsetting firm sales of illuminators for domestic customers.
- In relation to a decline in net sales of products for overseas customers, we assume there was postponement of customers' capital investment due to the supply chain disruption.
- No change is expected in customer plans to strengthen production capacity as the image sensor market continues to expand. We therefore project increase in net sales in the next consolidated fiscal year.

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]

(1) Market environment (+) Continued growth of image sensor market is anticipated	😊
(2) Social situations (-) Russia-Ukraine situation → Smartphone demand stagnated in some regions This sluggishness is expected to be temporary (-) Novel coronavirus infectious disease → Shortage of parts and other materials became acute due to lockdown in Shanghai (-) Supply chain disruption → Lead time has been extended for all peripheral devices, other than our equipment, that are required for image sensor inspection Customers postponing their investment	😞
(3) Customer trend (+) Recovery in demand of products for domestic customers (+) Numerous large orders from overseas customers	😊

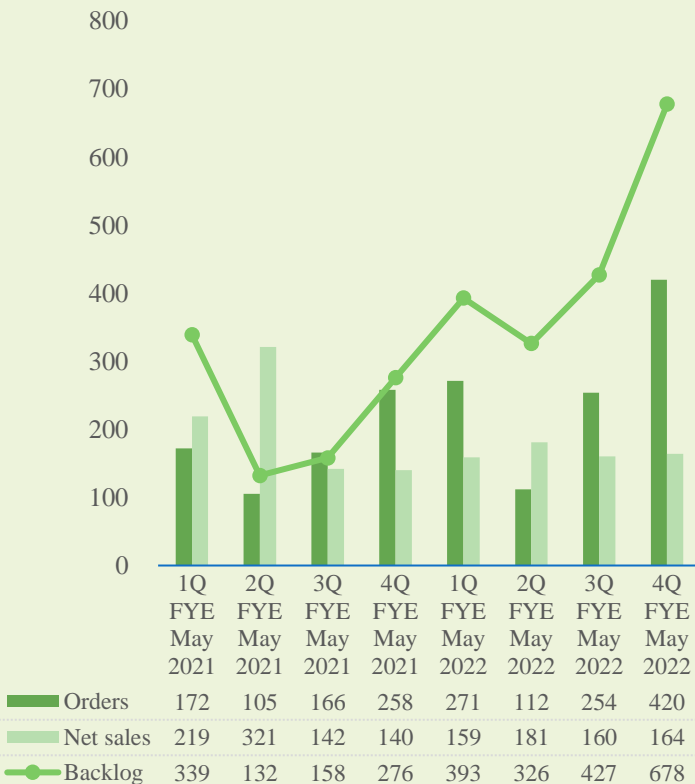
[Main changes in the internal environment]

(1) Research and development (+) Pupil lens modules for new customers → Decision has been made to introduce mass-produced items in the next and subsequent fiscal years Plan to gradually start offering the products	😊
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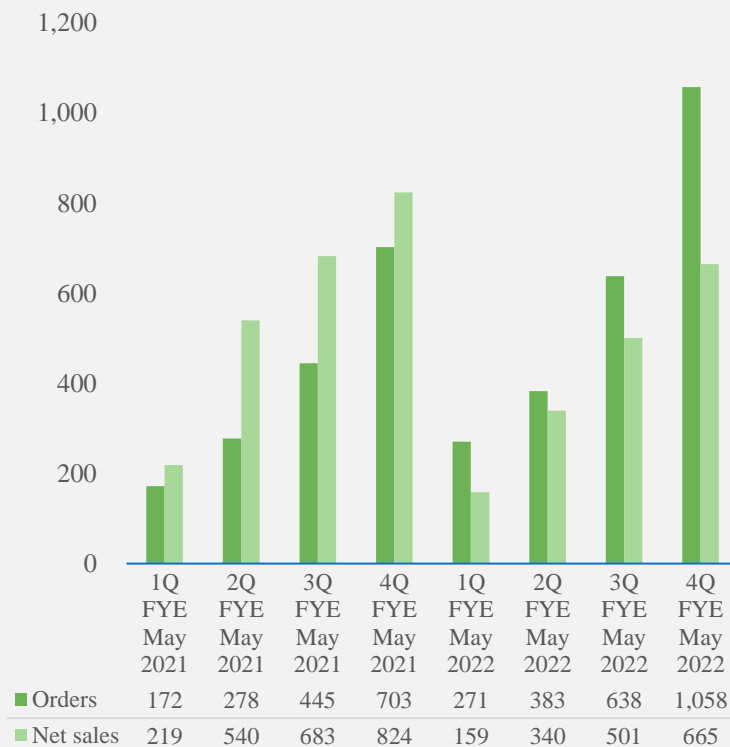
2) Environmental Energy Related Works Segment

- The segment as a whole recorded year-on-year decreases in both net sales and profits.
- In the first half, advertising demand was sluggish due to the impact of the pandemic. Customers' appetite for making new capital investment remained subdued notably in printing press-related drying deodorizers.
- In the second half, although advertising demand was on a recovery trend, factors such as a shortage of parts and other materials caused delays in responding to a number of high-profit maintenance projects. Revenue recognition has been postponed.
- In anticipation of a post-pandemic future, orders for main units started coming in and order backlog increased. However, due partly to a global shortage of parts and other materials, delivery delays are likely to continue for some projects.

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



Amount of orders received and net sales (accumulated)



Unit: million yen

[Main changes in the external environment]

(1) Market environment (+) Recovery in advertising demand → Inquiries on drying deodorizers increased	😊
(2) Social situations (-) Impact of the spread of novel coronavirus infectious disease → Net sales decreased in the fiscal year under review due to limited orders received for main units in the previous fiscal year (-) Global shortage of parts and other materials → Delivery tended to be delayed for both main units and maintenance	😞
(2) Customer trend (+) Increase in placement of orders for main units → Capital investment that has remained stagnant since the previous fiscal year is gradually resuming in anticipation of a post-pandemic future	😊

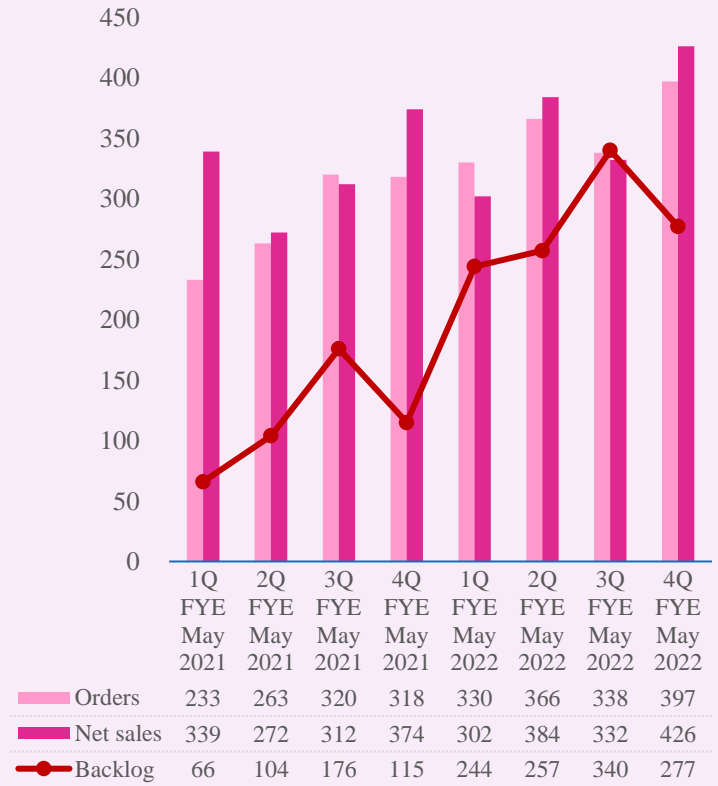
[Main changes in the internal environment]

(1) New product development (+) Promoting development of a failure prediction system that uses acoustic emission (+) Establishment of a new section focusing on development of new products	😊
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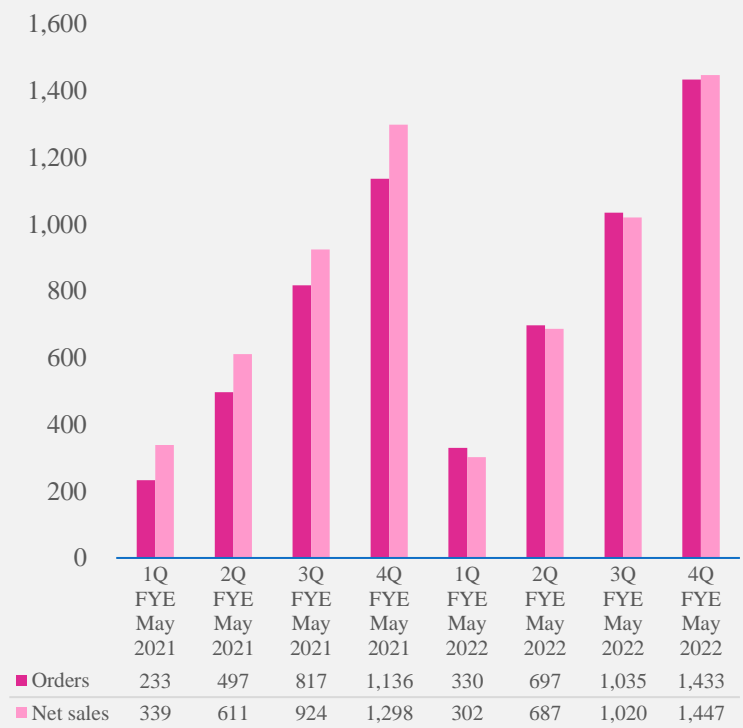
3) Promotion Business of Industry 4.0 Segment

- Precision vibration isolation systems: Efforts were made on rebuilding the sales structure of overseas subsidiaries. While inquiries from overseas customers were gradually picking up, no full recovery could be achieved and net sales remained sluggish.
- Gear testing systems: Gear manufacturing industry enjoyed robust market conditions, supporting strong capital investment appetite of both Japanese and overseas customers. Net sales and orders both recorded year-on-year increases.
- FA imaging processing equipment: Inquiries from automakers and several other companies remained active. Testing and trial production were conducted based on the samples received from each customer.

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</p> <p>(+) Economic conditions in China → Demand for machine tools remaining strong in emerging countries led by China, with positive effects on the gear manufacturing industry.</p>	😊
<p>(2) Social situations</p> <p>(-) Impact of the spread of novel coronavirus infectious disease → Temporary closure of group companies' overseas business sites, restraining overseas marketing activities</p> <p>(-) Supply chain disruption → Instability in customers' investment trends and in the supply of parts and other materials</p>	😞

[Main changes in the internal environment]

<p>(1) New businesses, research and development</p> <p>(+) Development of new products in precision vibration isolation systems → Currently in trial production and evaluation stage of mass-production model. Scheduled to be released next fiscal year</p> <p>(+) Completion of the surface roughness measuring instrument → Gear testing instrument that is applicable to a wide range of inspections. Scheduled to be released next fiscal year</p> <p>(+) Expanding sales of FA imaging processing system → Devices delivered to customers' sites are running smoothly. Inquiries coming in from a number of companies</p>	😊
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Unit: million yen

Unit: million yen

4) Consolidated Balance Sheets and Consolidated Statements of Income

Consolidated balance sheets				Consolidated balance sheets	
(Millions of yen)	As of May 31, 2021	As of May 31, 2022		As of May 31, 2021	As of May 31, 2022
Assets			Liabilities		
Total assets	11,564	11,533	Total liabilities	2,526	2,192
Current assets	10,146	10,216	Current liabilities	1,774	1,546
Non-current assets	1,418	1,317	Non-current liabilities	752	646
Property, plant and equipment	668	621	Net assets		
Intangible assets	272	211	Total net assets	9,038	9,340
Investments and other assets	477	484	Shareholders' equity		
			Capital stock	1,760	1,760
			Capital surplus	3,352	3,352
			Retained earnings	4,826	5,362
			Treasury shares	(892)	(1,142)
			Accumulated other comprehensive income	(9)	7
			Total liabilities and net assets		
Total assets	<u>11,564</u>	<u>11,533</u>		<u>11,564</u>	<u>11,533</u>

Consolidated statements of income			
(Millions of yen)	FYE May 2021	FYE May 2022	
Actual			
Net sales	6,627	6,017	
Cost of sales	3,184	3,280	
Gross profit	3,443	2,736	
Selling, general and administrative expenses (Note)	1,691	1,605	
Operating income	1,751	1,130	
Ordinary income	1,748	1,196	
Extraordinary income	—	4	
Extraordinary losses	7	11	
Profit before income taxes	1,740	1,189	
Income taxes – current	629	427	
Income taxes – deferred	(48)	1	
Total income taxes	581	428	
Profit	1,159	761	
Profit attributable to owners of parent	1,159	761	

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

Research and development expenses	61	100
Amortization of goodwill	48	48

5) Consolidated Statement of Cash Flows

Cash flows from operating activities

423 million yen

(Millions of yen)	FYE May 2021	FYE May 2022
Profit before income taxes	1,740	1,189
Decrease (increase) in trade receivables	740	81
Decrease (increase) in inventories	52	(529)
Increase (decrease) in trade payables	(112)	120
Other increase (decrease)	261	308
Subtotal	2,683	1,169
Income taxes paid	(305)	(737)
Net cash provided by (used in) operating activities	2,369	423

Cash flows from financing activities

(832) million yen

(Millions of yen)	FYE May 2021	FYE May 2022
Net increase (decrease) in short-term borrowings	20	(30)
Proceeds from long-term borrowings	640	—
Repayments of long-term borrowings	(367)	(144)
Purchase of treasury shares	(0)	(435)
Dividends paid	(202)	(225)
Other increase (decrease)	(61)	3
Net cash provided by (used in) financing activities	28	(832)

Cash flows from investing activities

(124) million yen

(Millions of yen)	FYE May 2021	FYE May 2022
Purchase of property, plant and equipment	(106)	(114)
Purchase of intangible assets	(12)	(11)
Other proceeds (payments)	32	0
Net cash provided by (used in) investing activities	(86)	(124)

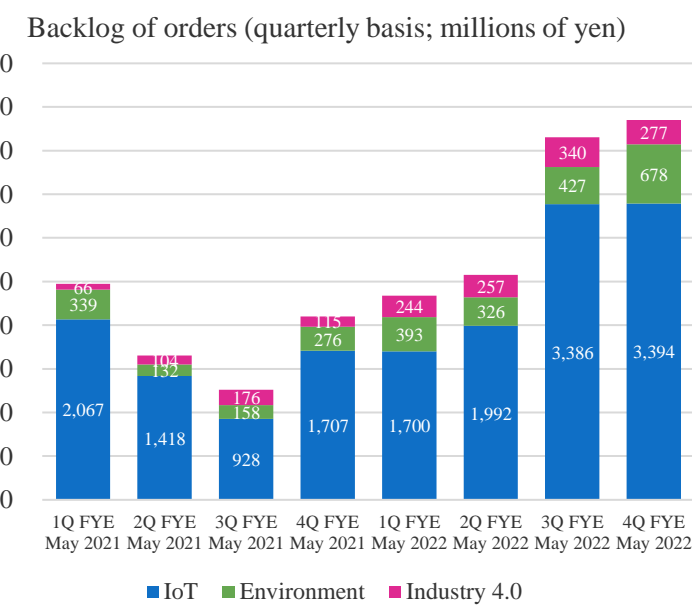
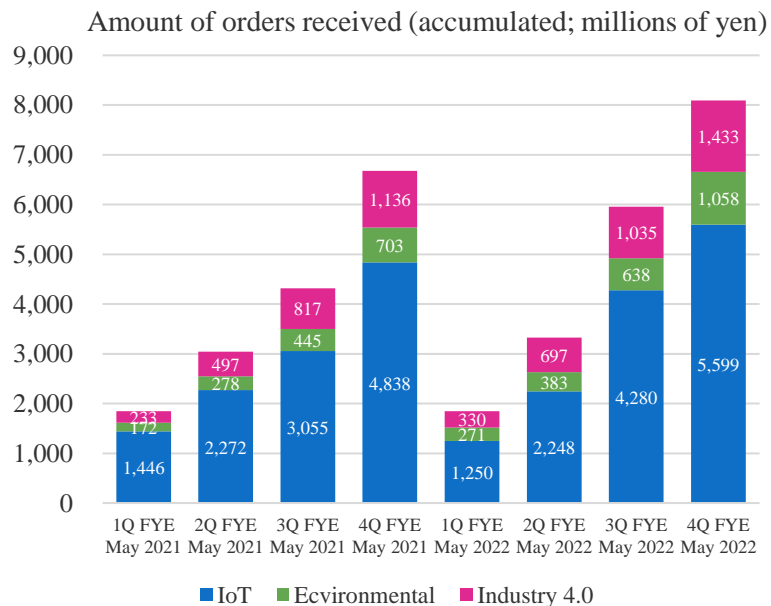
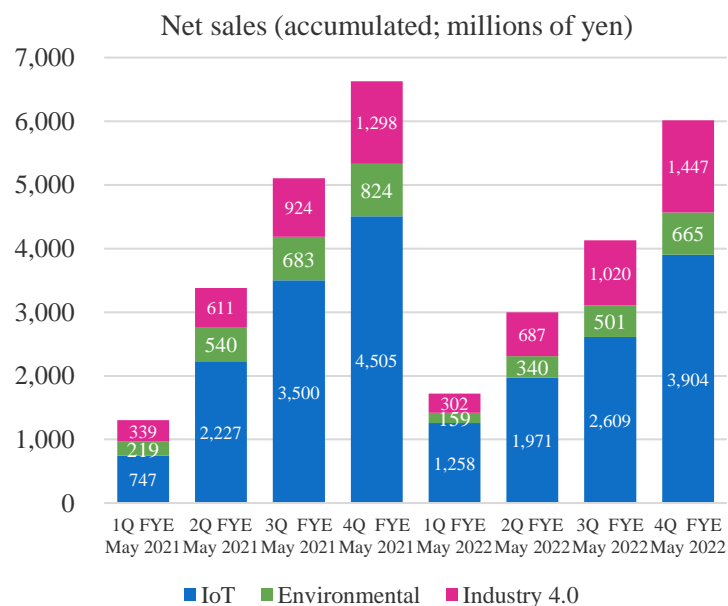
Cash and cash equivalents at end of FY2022

6,740 million yen

(Millions of yen)	FYE May 2021	FYE May 2022
Effect of exchange rate change on cash and cash equivalents	26	63
Net increase (decrease) in cash and cash equivalents	2,337	(470)
Cash and cash equivalents at beginning of period	4,873	7,211
Cash and cash equivalents at end of period	7,211	6,740

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

Business segment (Millions of yen)	Net sales		Amount of orders received		Backlog of orders	
	FY2022 (millions of yen)	Change YoY	FY2022 (millions of yen)	Change YoY	FY2022 (millions of yen)	Change YoY
Internet of things related works	3,904	(13.3)%	5,599	15.7%	3,394	98.7%
Environmental energy related works	665	(19.3)%	1,058	50.3%	678	145.1%
Promotion business of Industry 4.0	1,447	11.5%	1,433	26.2%	277	140.4%
Total	6,017	(9.2)%	8,091	21.1%	4,349	107.1%



Company Profile

Company Profile



Trade name: INTER ACTION Corporation

Listed on: Tokyo Stock Exchange,
Prime 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: 126 (Group-wide as of May 31, 2022)

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.

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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.

Investor Relations Division

Business Administration Group

Inter Action Corporation

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<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.

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