



Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. Should there be any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

October 12, 2022

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 31, 2023 <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
 Submission of quarterly report: October 13, 2022
 Dividend payment commencement date: –
 Preparation of explanatory materials for quarterly financial results: Yes
 Holding of a briefing on quarterly financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Cumulative First Quarter of the Fiscal Year Ending May 31, 2023 (June 1, 2022 to August 31, 2022)

(1) Consolidated operating results (Cumulative) (% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2022	1,907	10.9	476	10.8	519	19.6	351	22.6
Three months ended August 31, 2021	1,720	31.7	429	118.7	434	122.1	286	97.7

(Note) Comprehensive income: Three months ended August 31, 2022: ¥358 million / 27.4%
 Three months ended August 31, 2021: ¥281 million / 97.2%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2022	32.38	—
Three months ended August 31, 2021	26.17	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2022	11,896	9,478	79.7
As of May 31, 2022	11,533	9,340	81.0

(Reference) Shareholders' equity: As of August 31, 2022: ¥9,478 million
 As of May 31, 2022: ¥9,340 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	–	0.00	–	20.00	20.00
Fiscal year ending May 31, 2023	–				
Fiscal year ending May 31, 2023 (Forecast)		0.00	–	25.00	25.00

(Note) Amendment to forecasts of dividends recently announced: None

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 for the full year and quarter)

	Net sales		Operating profit		Ordinary profit		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	2,220	94.7	2,224	85.9	1,459	91.8	134.36

(Note) 1. Amendment to forecasts of dividends recently announced: None

2. 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 three months ended August 31, 2022 (changes in specified subsidiaries affecting the scope of consolidation): None

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

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) 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 “(3) Note regarding the quarterly consolidated financial statements (Changes in accounting policies)” under “2. Quarterly Consolidated Financial Statements and Notes” (page 8) of the Attached Materials.

(4) Number of shares issued (common shares)

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

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

(ii) Number of treasury shares at end of period

As of August 31, 2022	647,007 shares
As of May 31, 2022	647,207 shares

(iii) Average number of shares during period

For the three months ended August 31, 2022	10,863,037 shares
For the three months ended August 31, 2021	10,966,899 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.

* Quarterly 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 “(3) Explanation of forward-looking information including consolidated earnings forecasts” under “1. Qualitative Information on Quarterly Results” (page 3) of the Attached Materials.

[Attached Materials]

Index

1. Qualitative Information on Quarterly Results.....	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of forward-looking information including consolidated earnings forecasts	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	6
(Quarterly consolidated statements of income)	
June 1, 2022 – August 31, 2022	6
(Quarterly consolidated statements of comprehensive income)	
June 1, 2022 – August 31, 2022	7
(3) Note regarding the quarterly consolidated financial statements	8
(Notes on premise of going concern)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Changes in accounting policies)	8
(Additional information)	8
(Segment information)	10
(Revenue recognition-related information)	12
3. Supplementary explanation of consolidated financial results for the first quarter of the fiscal year ending May 31, 2023....	13
(1) Status of orders	13

1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results

Net sales in the Inter Action Group's financial results for the first three months of the consolidated fiscal year under review rose year on year. This is mainly attributable to solid sales of the products in the environmental energy related works segment and the promotion business of the Industry 4.0 segment.

Operating profit also rose year on year. This is mainly attributable to strong sales of high-profit products in the Internet of things related works segment and increased net sales in the promotion business of Industry 4.0 segment.

As a result, the Inter Action Group's financial results for the first three months of the consolidated fiscal year under review were as follows. Net sales rose by 10.9% to 1,907 million yen (compared with 1,720 million yen in the previous fiscal year); gross profit rose by 12.1% to 956 million yen (compared with 853 million yen in the previous fiscal year), largely due to the increase in net sales; operating profit rose by 10.8% to 476 million yen (compared with 429 million yen in the previous fiscal year); ordinary profit rose by 19.6% to 519 million yen (compared with 434 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes rose by 22.6% to 351 million yen (compared with 286 million yen of profit attributable to owners of parent in the previous fiscal year).

The overall performance of each business segment was as follows.

(Internet of things related works)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers fell by 5.1% year on year to 1,193 million yen (compared with 1,258 million yen in the previous fiscal year), and segment profit increased by 1.6% to 663 million yen (compared with 652 million yen in the previous fiscal year). This reflects sluggish sales of inspection illuminators and pupil lens modules for domestic customers, in contrast with strong sales of the highly profitable inspection illuminators for overseas customers.

(Environmental energy related works)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers rose by 49.7% to 238 million yen (compared with 159 million yen in the previous fiscal year), and segment profit was 0 million yen (1 million yen in the previous fiscal year). This is attributable to sluggish sales of high-profit maintenance projects although the segment enjoyed robust sales of products with high unit price, such as drying deodorizers and exhaust gas treatment systems.

(Promotion business of Industry 4.0)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers increased by 57.2% to 476 million yen (compared with 302 million yen in the previous fiscal year), and the segment recorded a profit of 46 million yen (loss of 37 million yen in the previous fiscal year). This is attributable to robust sales of precision vibration isolation systems and strong sales also of gear testing systems.

(2) Explanation of financial position

As of the end of the first quarter of the consolidated fiscal year under review, net assets amounted to 11,896 million yen, an increase of 363 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 10,556 million yen, an increase of 340 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to a 562 million yen increase in notes and accounts receivable-trade and a 349 million yen increase in work in process, despite a 464 million yen decline in cash and deposits and a 112 million yen decline in electronically recorded monetary claims-operating.

Non-current assets amounted to 1,340 million yen, an increase of 22 million yen compared with the end of the previous consolidated fiscal year.

As of the end of the first quarter of the consolidated fiscal year under review, liabilities amounted to 2,418 million yen, an increase of 225 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to increases of 91 million yen in income taxes payable, 57 million yen in provision for share awards for directors (and other officers), and 73 million yen in advances received ("Other" in current liabilities).

As of the end of the first quarter of the consolidated fiscal year under review, total assets amounted to 9,478 million yen, an increase of 137 million yen compared with the amount held at the end of the previous consolidated fiscal year. This is mainly attributable to recording of profit attributable to owners of parent of 351 million yen despite year-end dividends of 221 million yen in the previous fiscal year.

(3) Explanation of forward-looking information including consolidated earnings forecasts

There is no amendment to consolidated earnings forecasts disclosed on July 12, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	6,751,660	6,287,225
Notes and accounts receivable—trade	781,177	1,344,094
Electronically recorded monetary claims—operating	716,488	603,584
Operational investment securities	36,549	37,541
Merchandise and finished goods	167,254	102,569
Work in process	1,142,354	1,491,975
Raw materials and supplies	579,614	594,946
Other	69,594	132,274
Allowance for doubtful accounts	(28,624)	(38,022)
Total current assets	10,216,069	10,556,190
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	263,901	258,902
Land	165,149	165,149
Other, net	192,241	209,352
Total property, plant and equipment	621,292	633,403
Intangible assets		
Goodwill	185,882	173,671
Other	25,916	35,075
Total intangible assets	211,798	208,746
Investments and other assets		
Investment securities	130,437	130,445
Other	435,333	449,197
Allowance for doubtful accounts	(81,623)	(81,624)
Total investments and other assets	484,147	498,019
Total non-current assets	1,317,238	1,340,170
Total assets	11,533,308	11,896,360

(Unit: Thousands of yen)

	As of May 31, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	495,551	522,252
Short-term borrowings	180,000	180,000
Current portion of bonds payable	30,000	—
Current portion of long-term borrowings	69,902	57,496
Income taxes payable	143,282	235,265
Provision for bonuses	—	35,572
Provision for product warranties	18,632	15,360
Provision for share awards for directors (and other officers)	133,000	190,800
Other	475,640	541,172
Total current liabilities	1,546,008	1,777,919
Non-current liabilities		
Long-term borrowings	523,954	510,040
Provision for share awards	8,457	8,861
Retirement benefit liability	87,716	92,192
Asset retirement obligations	10,150	10,150
Other	16,130	18,934
Total non-current liabilities	646,409	640,178
Total liabilities	2,192,417	2,418,097
Net assets		
Shareholders' equity		
Share capital	1,760,299	1,760,299
Capital surplus	3,352,855	3,352,855
Retained earnings	5,362,752	5,493,274
Treasury shares	(1,142,686)	(1,142,586)
Total shareholders' equity	9,333,221	9,463,843
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,669	14,419
Total accumulated other comprehensive income	7,669	14,419
Total net assets	9,340,890	9,478,263
Total liabilities and net assets	11,533,308	11,896,360

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(June 1, 2022 – August 31, 2022)

(Unit: Thousands of yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Net sales	1,720,527	1,907,892
Cost of sales	866,839	950,939
Gross profit	853,688	956,952
Selling, general and administrative expenses	423,796	480,686
Operating profit	429,891	476,266
Non-operating income		
Interest income	117	1,602
Dividend income	50	120
Income from assets for rent	2,319	2,310
Subsidy income	—	40,966
Other	8,732	3,458
Total non-operating income	11,220	48,457
Non-operating expenses		
Interest expenses	2,275	1,975
Expenses of assets for rent	2,544	2,067
Foreign exchange losses	125	—
Share of loss of entities accounted for using equity method	259	—
Other	1,096	757
Total non-operating expenses	6,302	4,800
Ordinary profit	434,809	519,924
Extraordinary income		
Gain on sale of non-current assets	96	63
Total extraordinary income	96	63
Profit before income taxes	434,906	519,987
Income taxes—current	134,885	183,506
Income taxes—deferred	13,069	(15,313)
Total income taxes	147,954	168,192
Profit	286,952	351,794
Profit attributable to owners of parent	286,952	351,794

(Quarterly consolidated statements of comprehensive income)
 (June 1, 2022 – August 31, 2022)

(Unit: Thousands of yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Profit	286,952	351,794
Other comprehensive income		
Foreign currency translation adjustment	(5,560)	6,749
Share of other comprehensive income of entities accounted for using equity method	(6)	—
Total other comprehensive income	(5,566)	6,749
Comprehensive income	281,385	358,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	281,385	358,544
Comprehensive income attributable to non-controlling interests	—	—

(3) Note regarding the quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Changes in accounting policies)

(Application of implementation guidance on accounting standard for fair value measurement)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Implementation Guidance") from the beginning of the first quarter of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group has decided to apply the new accounting policies set forth by the Fair Value Measurement Implementation Guidance going forward.

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. The treasury shares in question had a book value of 13,736 thousand yen (27,400 shares) at the end of the previous fiscal year, and 13,636 thousand yen (27,200 shares) at the end of the first quarter of the consolidated fiscal year under review.

(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 and at the end of the first quarter of the consolidated fiscal year under review, the treasury shares in question had a book value of 499,801 thousand yen (173,228 shares).

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

We have made no significant change in our assumptions regarding when the COVID-19 pandemic might be contained and the impact of the Russia-Ukraine situation from those announced in “Implications of COVID-19, Russia-Ukraine situation and related issues for accounting estimates” in the “Additional information” section of our full-year financial results for the fiscal year ended May 31, 2022.

(Segment information)

I. For the first three months of the fiscal year ended May 31, 2022 (June 1, 2021 to August 31, 2021)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	1,258,587	159,030	302,910	1,720,527
Intra-segment internal sales and transfer amount	—	—	—	—
Total	1,258,587	159,030	302,910	1,720,527
Segment profit (loss)	652,967	1,581	(37,692)	616,855

2. Difference between total amount of income or loss of reportable segments and the corresponding amount reported in the quarterly consolidated statements of income, and the key components of such difference (reconciliation)

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	616,855
Company-wide expenses ^(Note)	(178,308)
Inter-segment eliminations	96
Adjustment of inventories	(8,752)
Operating profit in the quarterly consolidated statements of income	429,891

(Note) Company-wide expenses mainly consist of expenses incurred by the Company's head office administrative operations that are not attributable to the reportable segments.

3. Information on impairment loss for non-current assets or goodwill of each reportable segment

No items to report.

II. For the first three months of the fiscal year ending May 31, 2023 (June 1, 2022 to August 31, 2022)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	1,193,792	238,072	476,027	1,907,892
Intra-segment internal sales and transfer amount	—	—	—	—
Total	1,193,792	238,072	476,027	1,907,892
Segment profit	663,594	214	46,634	710,443

2. Difference between total amount of income or loss of reportable segments and the corresponding amount reported in the quarterly consolidated statements of income, and the key components of such difference (reconciliation)

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	710,443
Company-wide expenses ^(Note)	(187,498)
Inter-segment eliminations	99
Adjustment of inventories	(46,777)
Operating profit in the quarterly consolidated statements of income	476,266

(Note) Company-wide expenses mainly consist of expenses incurred by the Company's head office administrative operations that are not attributable to the reportable segments.

3. Information on impairment loss for non-current assets or goodwill of each reportable segment

No items to report.

(Revenue recognition-related information)

Disaggregated information on revenue from contracts with customers

For the first three months of the fiscal year ended May 31, 2022 (June 1, 2021 to August 31, 2021)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	1,258,587	159,017	302,910	1,720,514
Goods transferred over time	—	—	—	—
Revenue from contracts with customers	1,258,587	159,017	302,910	1,720,514
Other revenue	—	13	—	13
Sales to external customers	1,258,587	159,030	302,910	1,720,527

(Note) Other revenue is that recognized in “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

For the first three months of the fiscal year ending May 31, 2023 (June 1, 2022 to August 31, 2022)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	1,193,792	235,080	476,027	1,904,901
Goods transferred over time	—	—	—	—
Revenue from contracts with customers	1,193,792	235,080	476,027	1,904,901
Other revenue	—	2,991	—	2,991
Sales to external customers	1,193,792	238,072	476,027	1,907,892

(Note) Other revenue is that recognized in “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

3. Supplementary explanation of consolidated financial results for the first quarter of the fiscal year ending May 31, 2023

(1) Status of orders

1) Orders received

Segment	First three months of the previous consolidated fiscal year (June 1, 2021 to August 31, 2021)		First three months of the current consolidated fiscal year (June 1, 2022 to August 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 works	1,250,747	1,700,471	1,040,681	3,243,169	(210,066)	1,542,698
Environmental energy related works	271,331	393,823	226,921	666,821	(44,410)	272,997
Promotion business of Industry 4.0	330,254	244,278	317,816	278,659	(12,438)	34,380
Total	1,852,334	2,338,573	1,585,418	4,188,650	(266,915)	1,850,076

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