



FY 5/2023 (31st Period)

3Q Financial Results

April 11th, 2023

INTER ACTION Corporation

Code: 7725

Note: We kindly request that participants refrain from recording the audio or images in this presentation of financial results.

Agenda

- ① **Summary of Financial Results**
- ② **Revision of Forecasts**
- ③ **Future Trends in Existing and New Businesses**

- Appendix -

Summary of Financial Results

Summary of Financial Results

Key Points

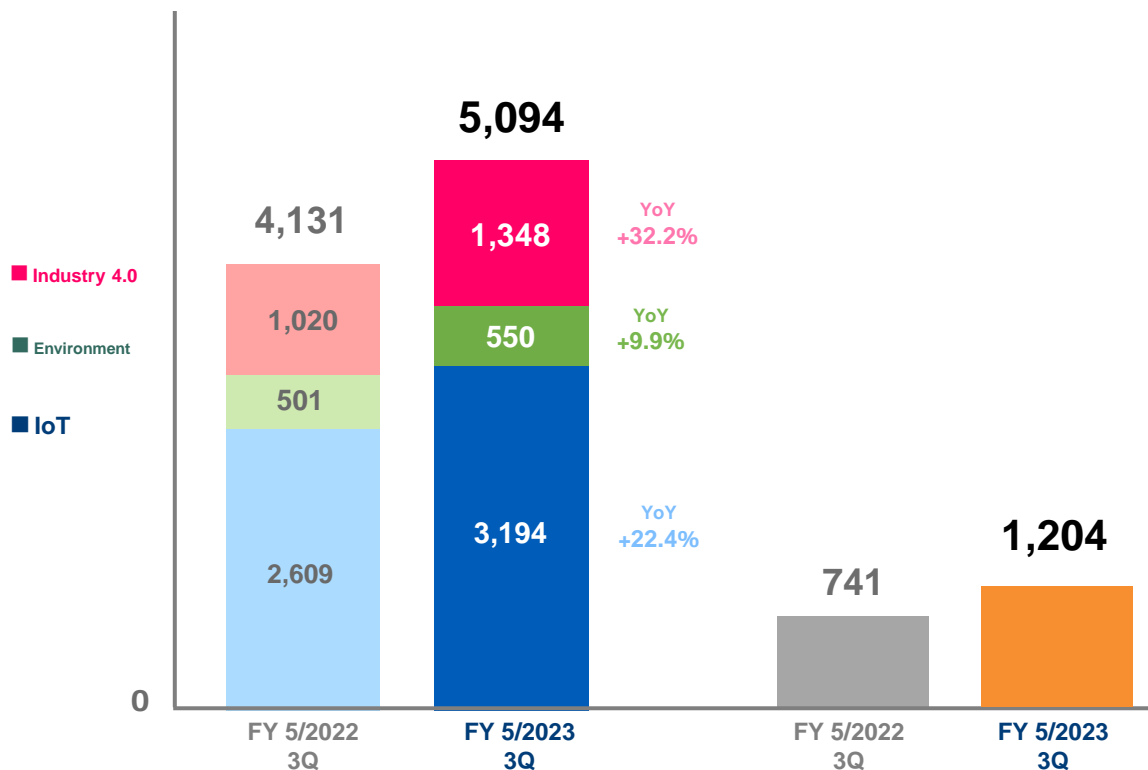
- The principal points were robust IoT related growth and strong growth in the Promotion of Industry 4.0 business: consolidated sales and OP both grew YoY.
- **IoT related business:** Strong sales of high margin overseas illuminators.
- **Environmental energy related business:** Continued robust unit sales.
- **Promotion of Industry 4.0 business:** Strong sales of vibration isolation and gear testing systems.

(Million Yen)

Sales

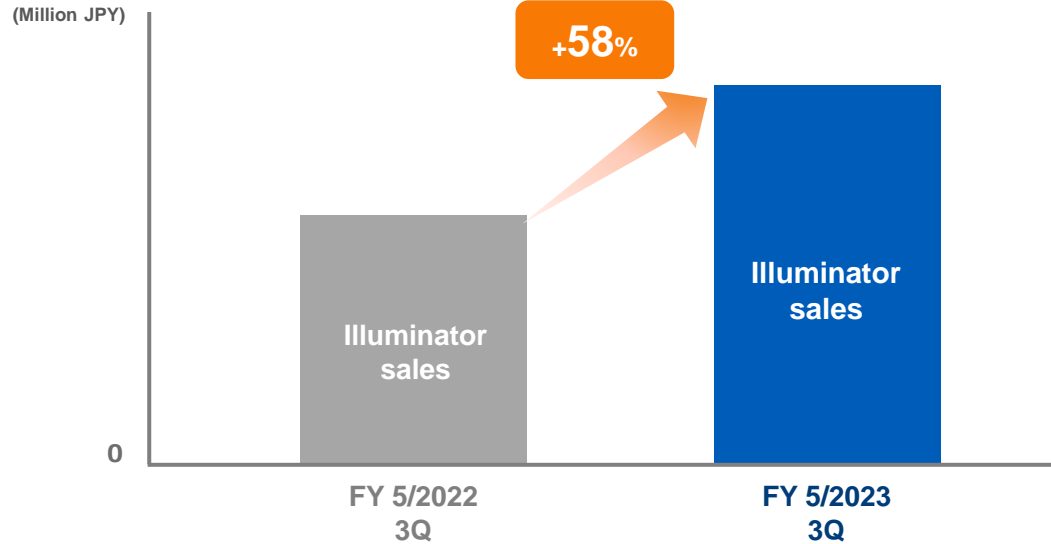
Operating Profit

Changes in Major Management Indicators



(Million JPY)	3Q 5/22	3Q 5/23	YoY Growth (%)
Sales	4,131	5,094	23.3
OP	741	1,204	62.4
RP	768	1,251	62.8
NP	482	811	68.2
EPS	Y43.99	Y74.50	-

Increase in Total Illuminator Sales



Principally driven by high sales growth in overseas illuminators

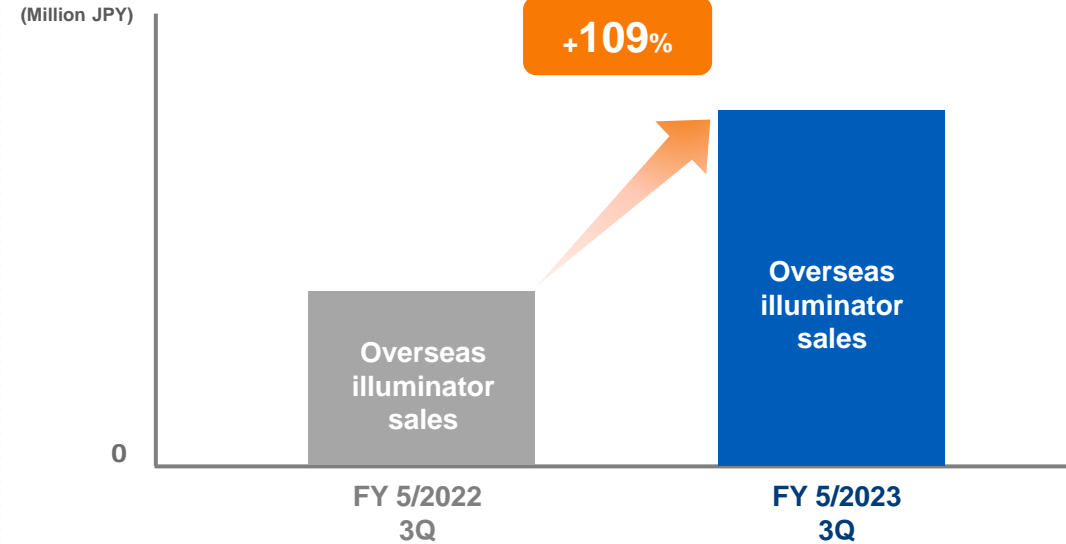
+

Sales carried over from the 2Q

YoY growth

+ 58% ↑

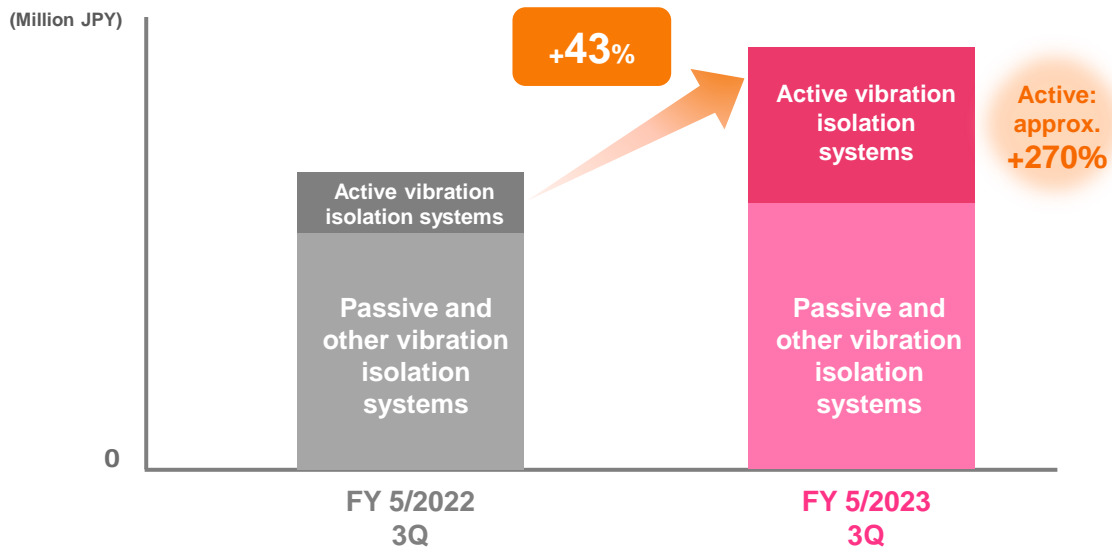
Increase in Overseas Illuminator Sales



Large-scale capex at our main overseas customer

YoY growth
+ 109% ↑

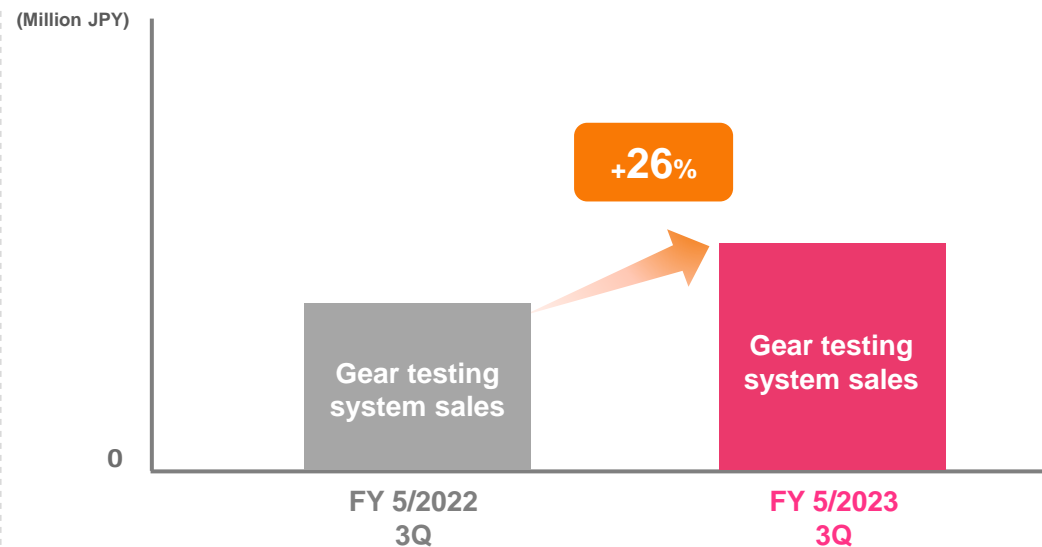
Precision Vibration Isolation System Sales (Meiritz Seiki)



Robust growth in high added value active vibration isolation system sales

YoY growth
+ 43% ↑

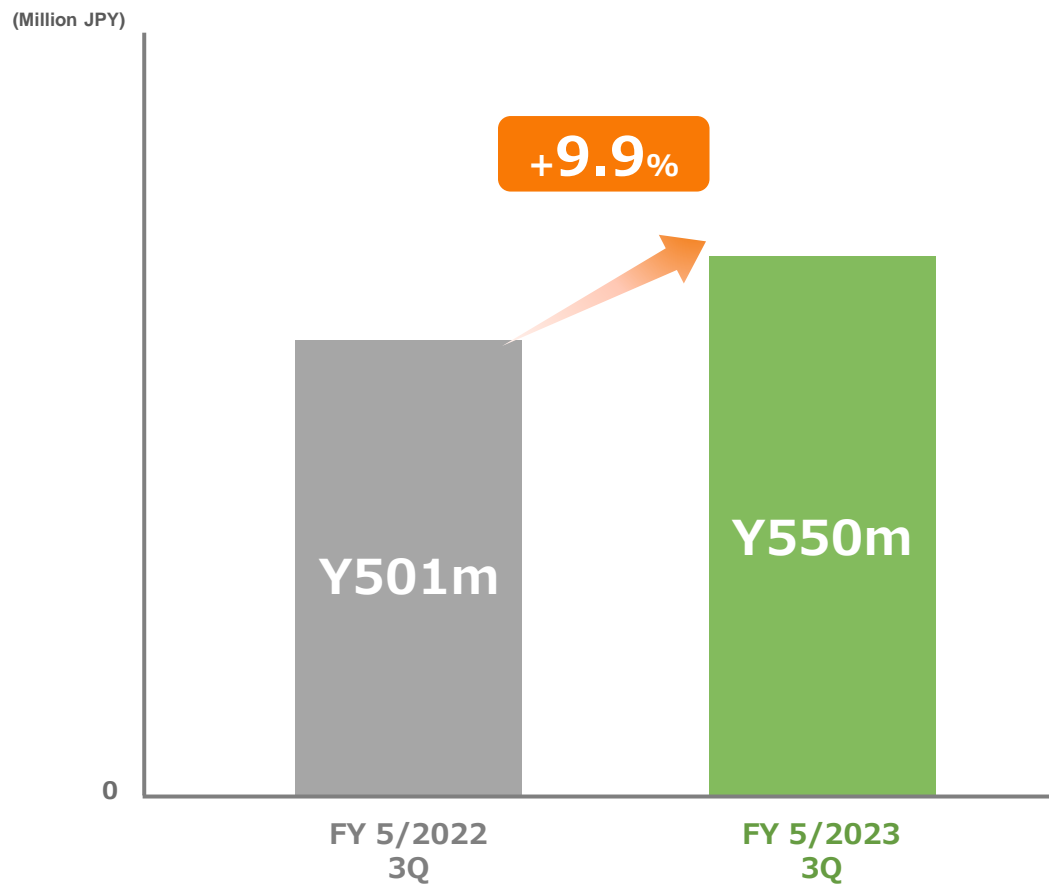
Gear Testing System Sales (Tokyo Technical Instruments)



**Principally robust overseas gear testing system sales
+
Increase in demand for industrial robots**

YoY growth
+ 26% ↑

Environmental Energy Related Business Sales Growth



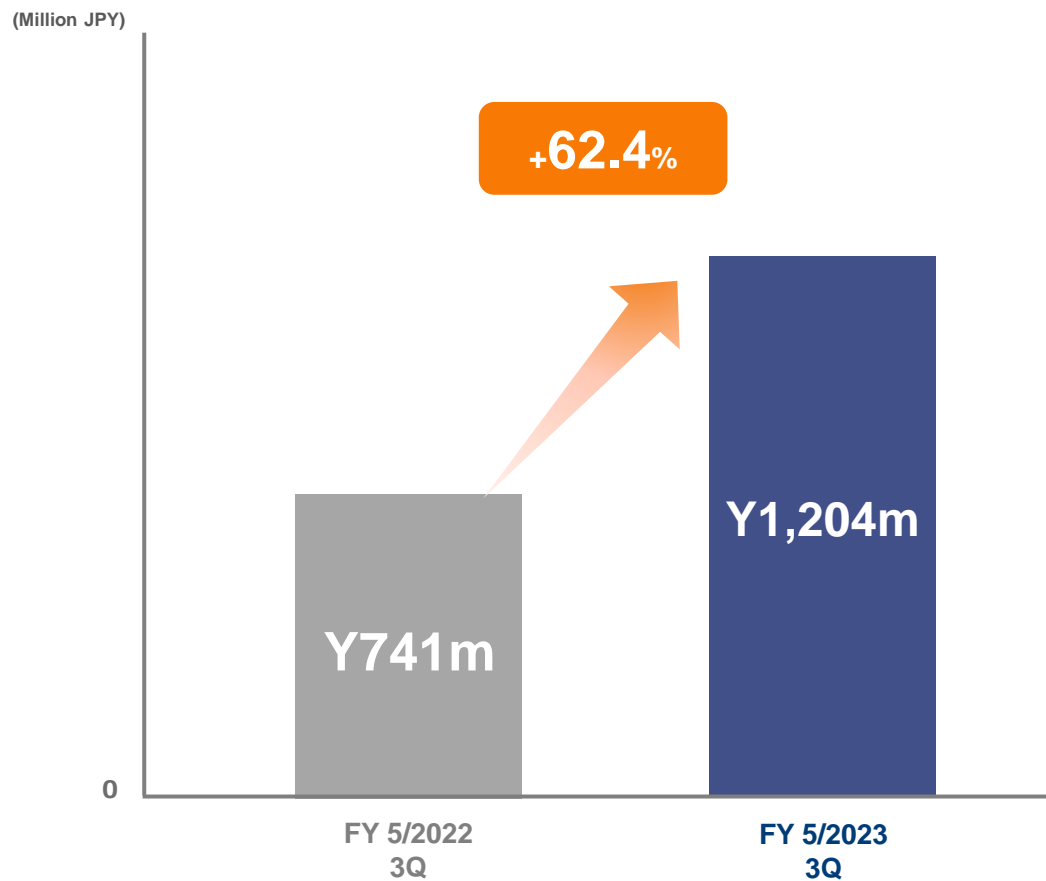
Robust drying deodorizer sales

YoY growth

+ 9.9% ↑

Currently negotiating several projects for FY 5/24 and FY 5/25

INTER ACTION OP Growth



Reasons for Increase

① Strong sales of high margin overseas illuminators in the IoT related business

② Strong sales of high margin vibration isolation and gear testing systems in the Promotion of Industry 4.0 business

Revision of Forecasts

Reason for the revision

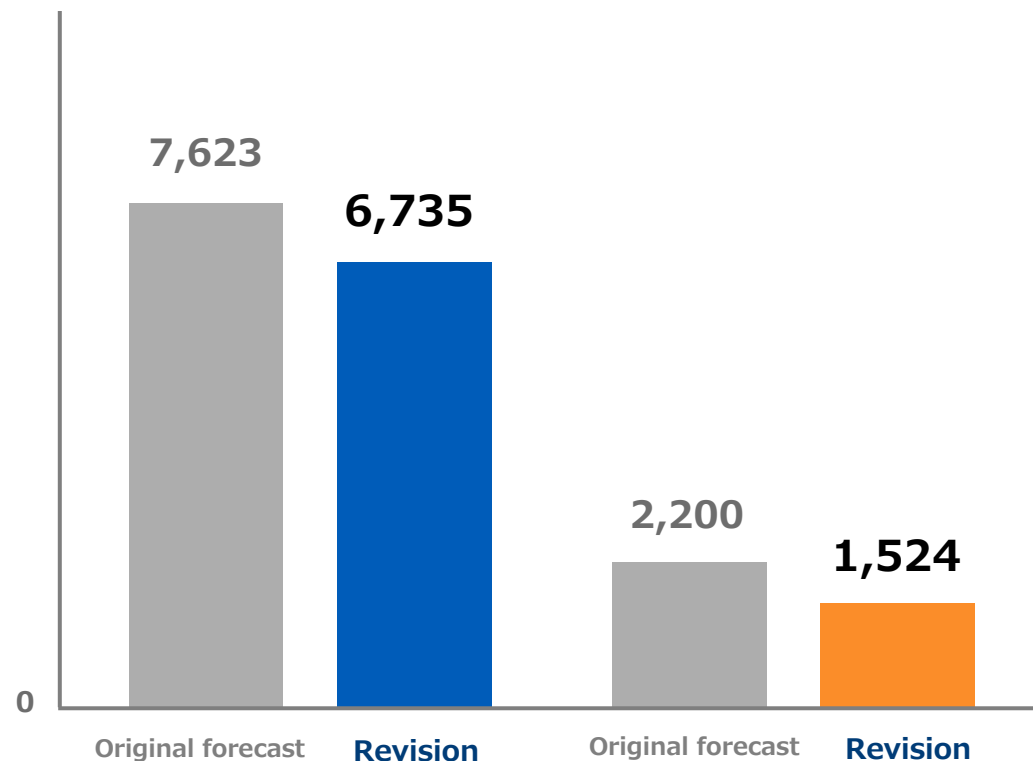
- Overseas illuminator and domestic Pupil Lens Module™ sales were weaker than originally forecast.
- Technological issues arose in selling Pupil Lens Modules™ overseas and slowed progress to below expectation.
- Although we began sales of new products in the Promotion of Industry 4.0 business (FA image processing and laser processing equipment, etc.), orders have not taken off yet and growing sales has been harder than anticipated.

(Million Yen)

Sales

Operating Profit

Changes in Major Management Indicators

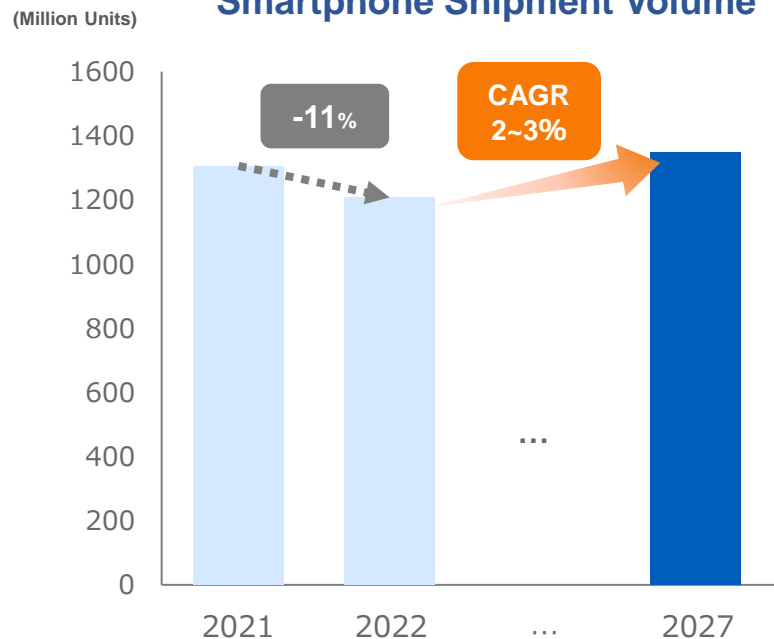


(Million JPY)	Original forecast	Revised forecast	Growth (%)
Sales	7,623	6,735	△11.6
OP	2,200	1,524	△30.7
RP	2,224	1,576	△29.1
NP	1,459	999	△31.5
EPS	Y133.96	Y91.72	-

Future Trends in Existing and New Businesses

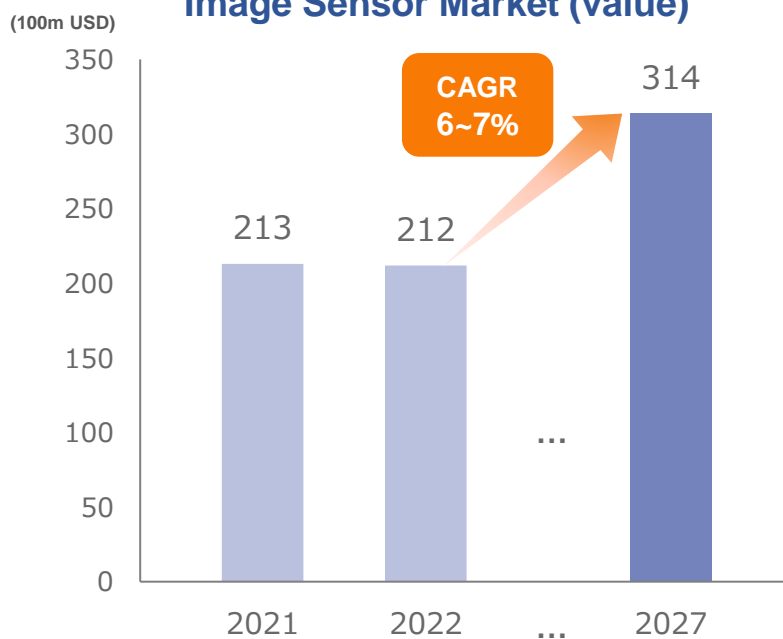
➤ Our existing customers' share of the image sensor market is expanding ➔ demand for our products likely to increase.

Smartphone Shipment Volume



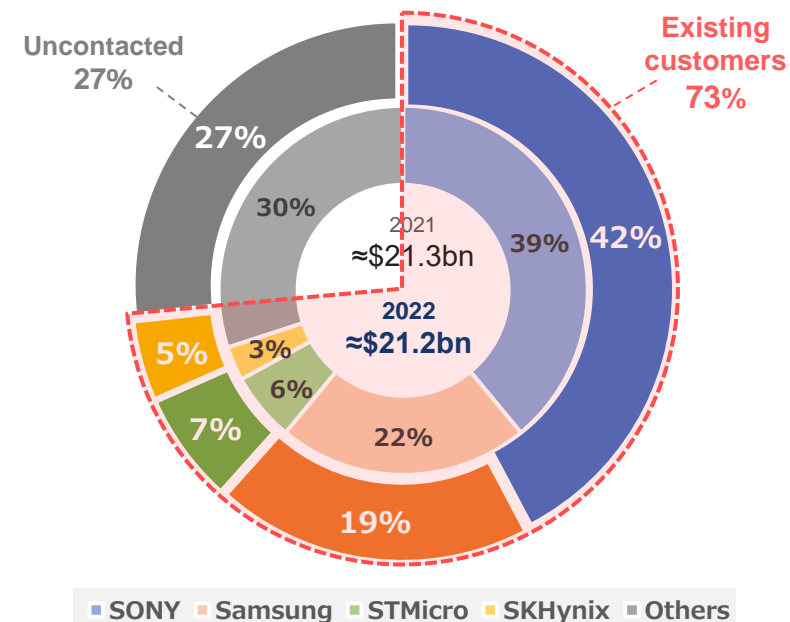
(Source: IDC, March 2023)

Image Sensor Market (value)



(Source: internal research)

Image Sensor Market Share



(Source: YOLE, March 2023)

Smartphone shipment numbers
YoY decline → Gentle recovery from FY 5/24

The promotion of multi-lens devices is likely to require larger numbers of image sensors

Expansion of high-end image sensors
+
Expansion of image sensor applications

CAGR
6%~7%

Our existing customers' share value in the image sensor market is expanding

2021: 70% ➔ 2023: 73%

Demand for our high-end device-targeting products will increase

Nagasaki Development Center



Opened April 2023

Leads
to



Strengthening Customer Relationships



Strengthening our
development process

+

Shortening lead-times

Strengthening the Value Chain

Step 1 R&D/Product Creation

Step 2 Product Evaluation

Step 3 Sales/Marketing Push

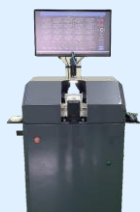
Product value improvement

Complete!

Completion of FA Image Processing Equipment



R&D



Product

Clear imaging technology rated highly by customers

Current Problem

Sales Activities



Communicate value to customers

Field workers



Decision makers (management)

A gap between what customer companies' decision makers (management) and workers on the ground think

Solution

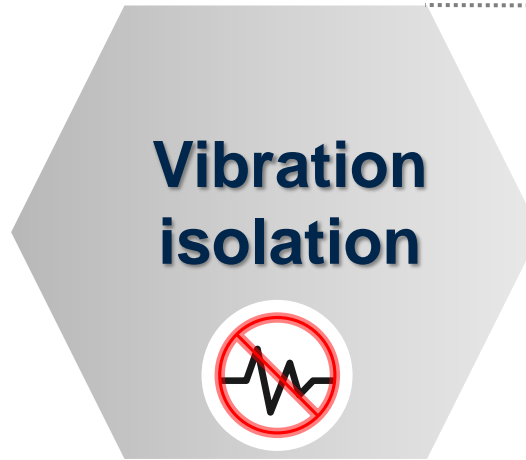
Rethinking our Structure



Strengthen our sales/marketing processes with investment in personnel
Become an organization able to respond appropriately to customer needs


Provide value to customers, obtain orders

- ... Existing technological fields
- ... New technological fields




New Vibration Isolation Equipment – Awaiting Orders


- Completed customer appraisal of the new vibration isolation equipment. Awaiting orders.



Customer




Appraisal complete




New vibration isolation equipment

Developing Vibration Equipment

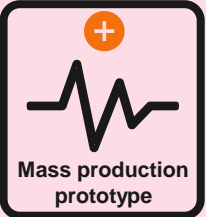
- Currently creating prototypes for mass production of vibration equipment that can create precise vibrations.



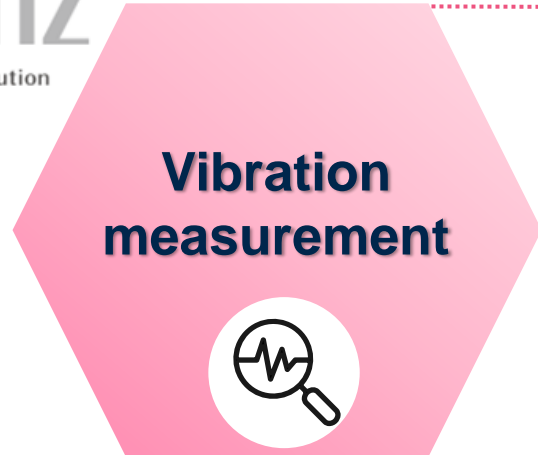
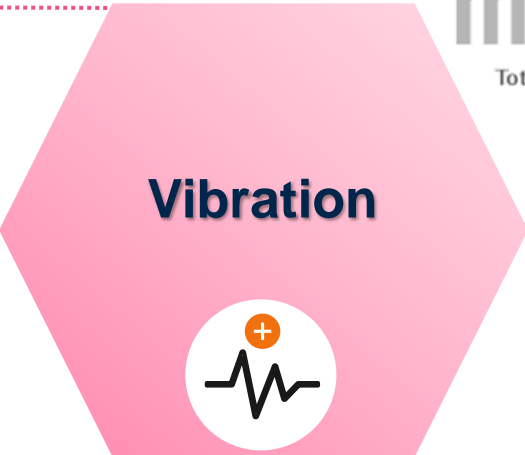
Sketches



Parts acquisition



Mass production prototype



Started to Offer the Monitoring App

- Started selling a monitoring app to visualize and monitor vibrations. Negotiating with several customers.



Monitoring app



We will develop solutions using industry data

Signing Ceremony



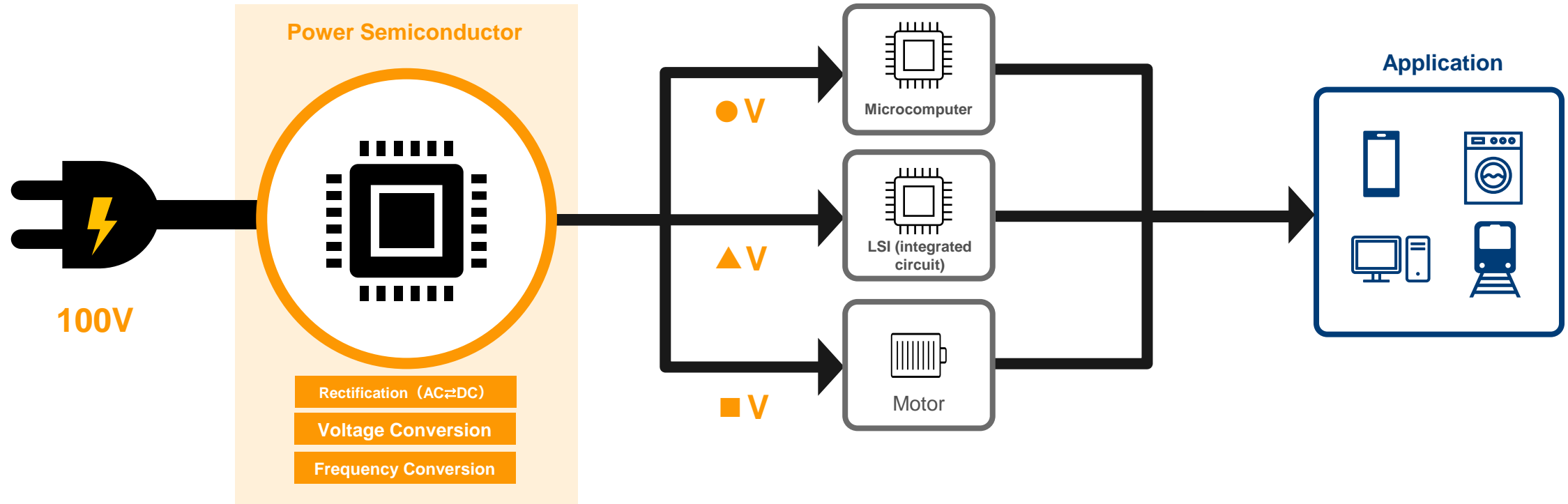
March 28, 2023

Nagasaki Development Center



Opened April 2023

Power Semiconductors = semiconductors that can control/convert power supply



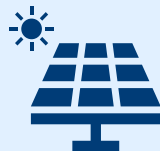
Examples of Final Applications



High output monitors



Cars/EVs



Solar panel power conditioners



Railways



Telecoms



PCs



Electrical appliances

Research into effective processing methods and processing equipment development for the highly brittle SiC (Silicon Carbide), material of choice for the next generation of power semiconductors

Backdrop

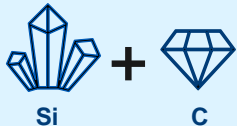
Change in Semiconductor Materials

Up to now



Si

From now on



SiC

The main semiconductor material has been Si



Now in the spotlight is SiC, with higher resistance to pressure and heat, and high speed control (high efficiency)

Issues

A Highly Brittle, Difficult Material



Hard/Brittle



High Processing Costs



Long Processing Times

Harder and more brittle than the previously used Si



Processing is challenging, and production costs and efficiency are issues

Solution

Development of SiC Processing Equipment



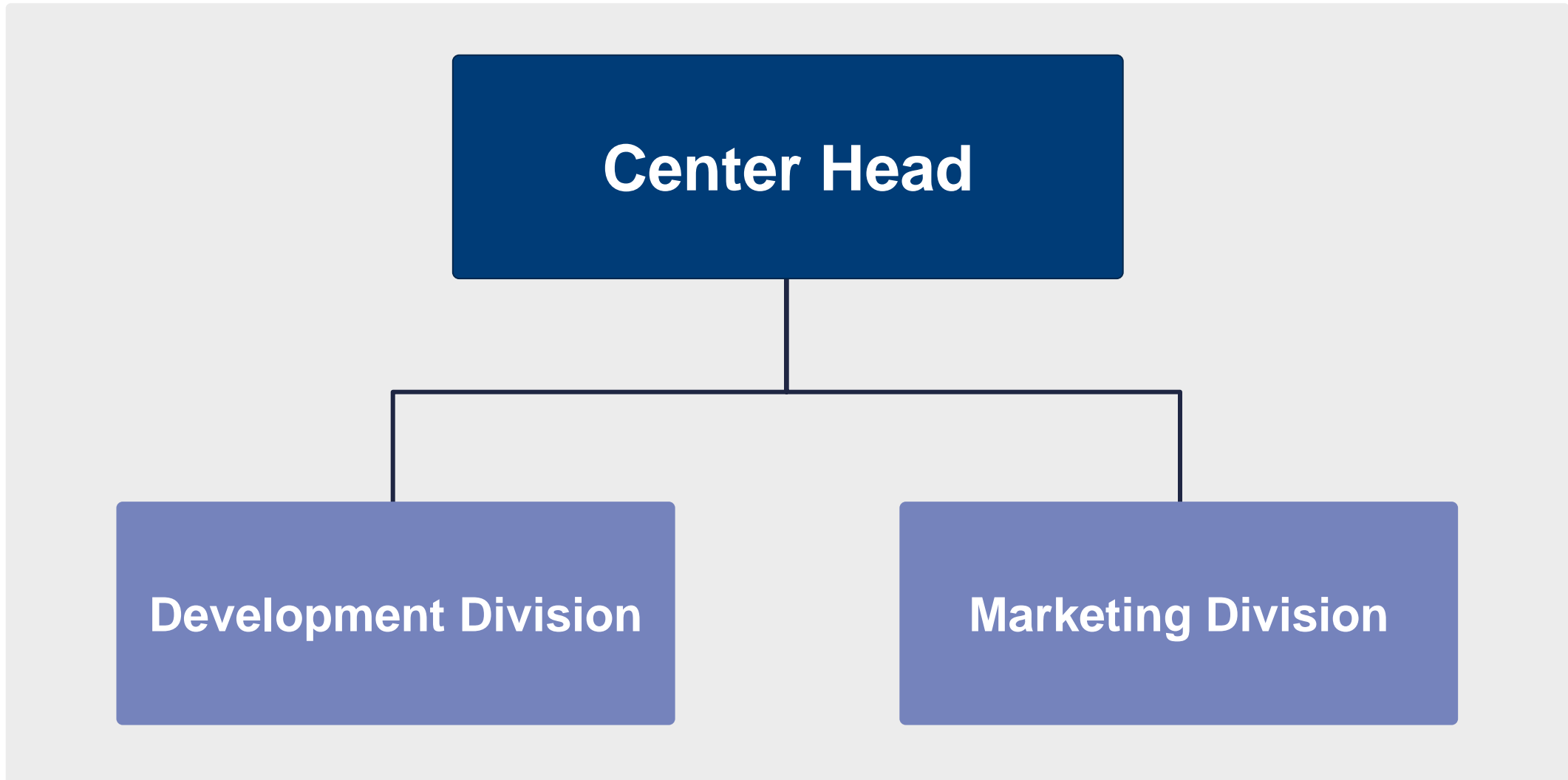
2021~ Joint research started with Nagasaki University
2023年~ Opened the Nagasaki Development Center

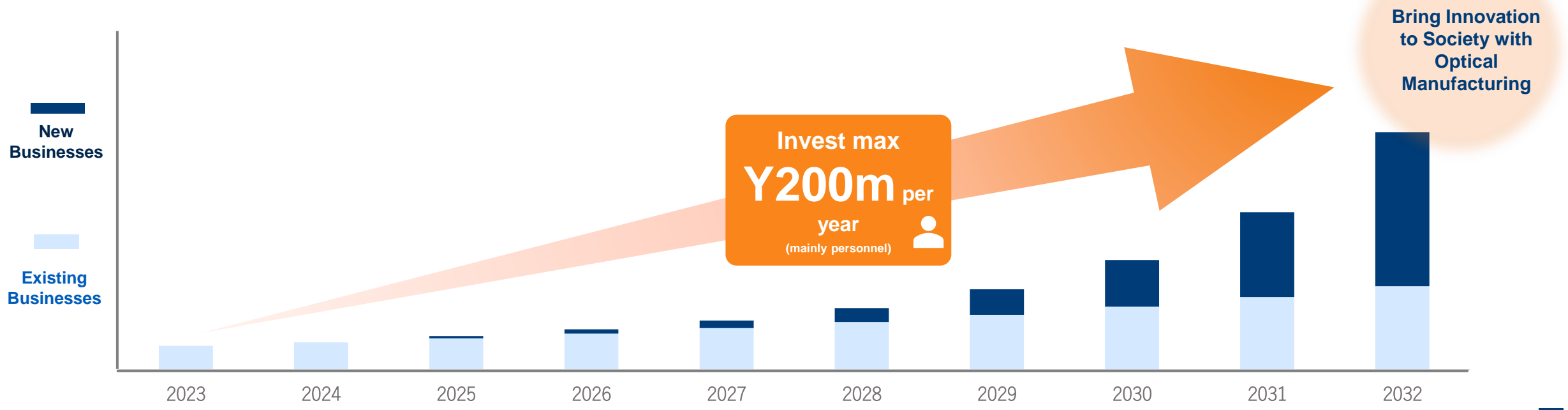


Aiming for the development of SiC dicing equipment products

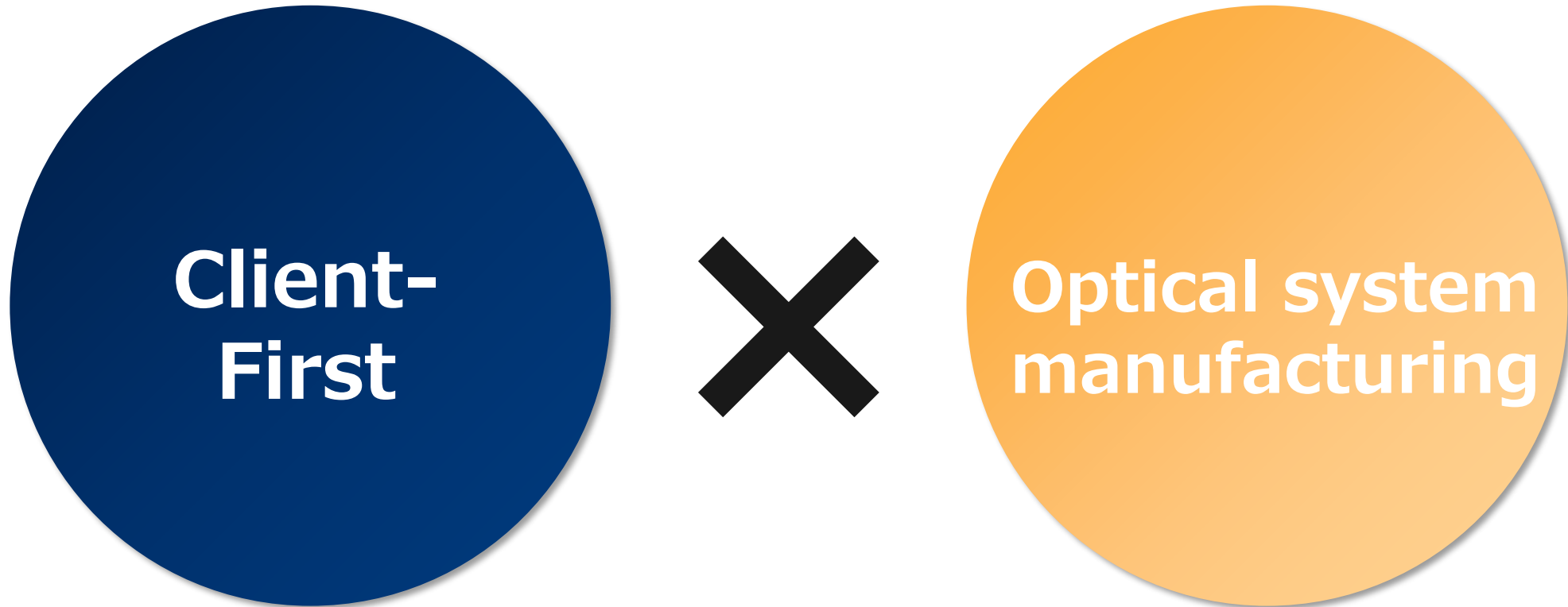
Value for Customers

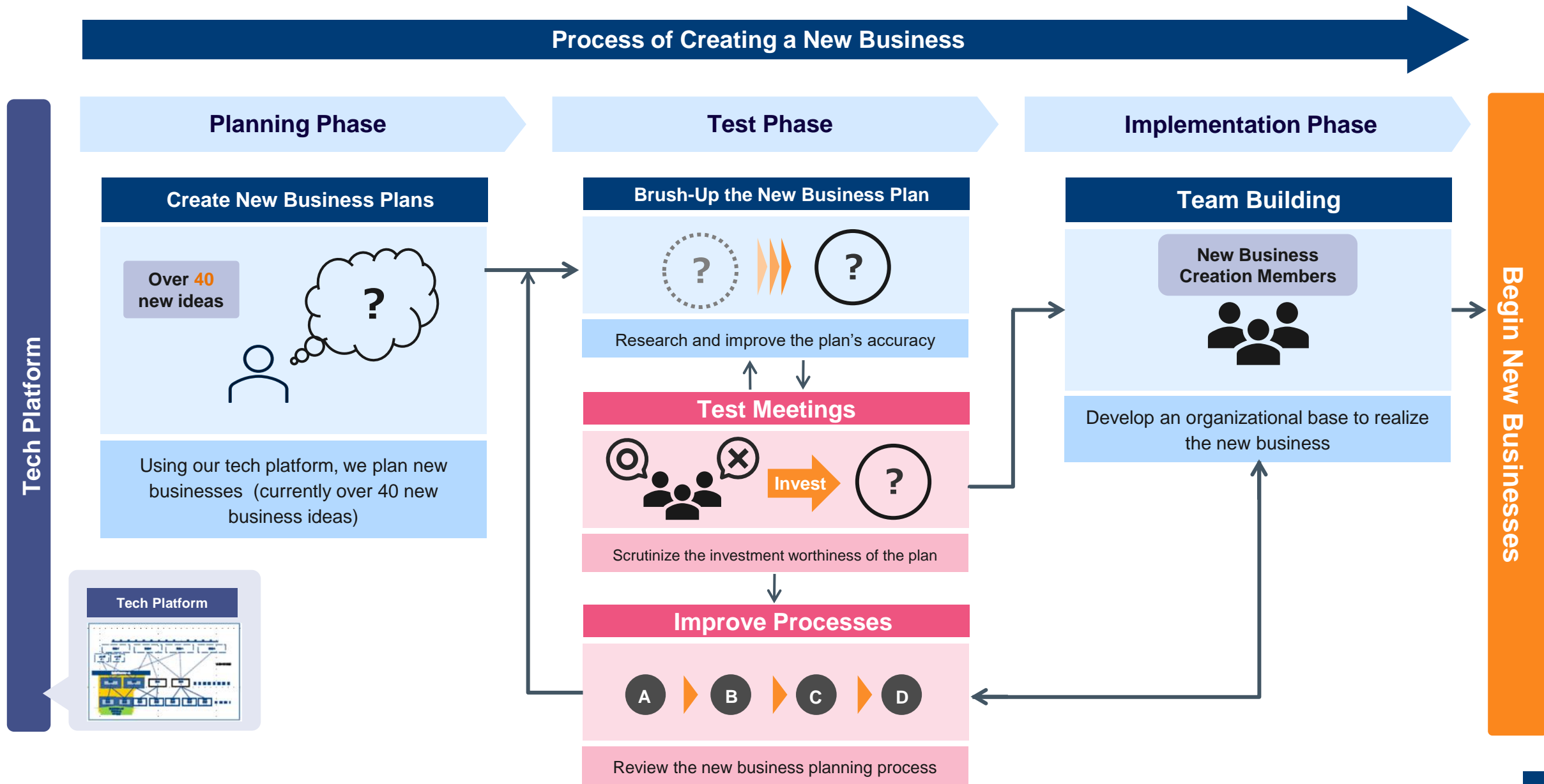
- ① High speed processing
- ② No waste
- ③ Precise and clean cuts





Client-First × manufacturing from an optical perspective
「A company that creates customers' futures with light」





CHALLENGE

without fear

Grow existing businesses × Create new businesses

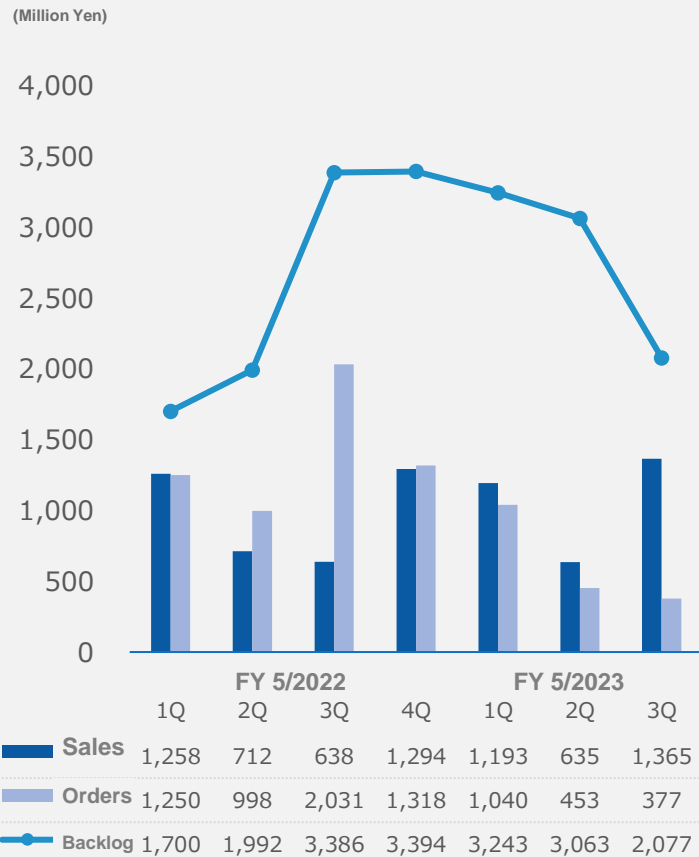
Appendix ①

Summary by Segment

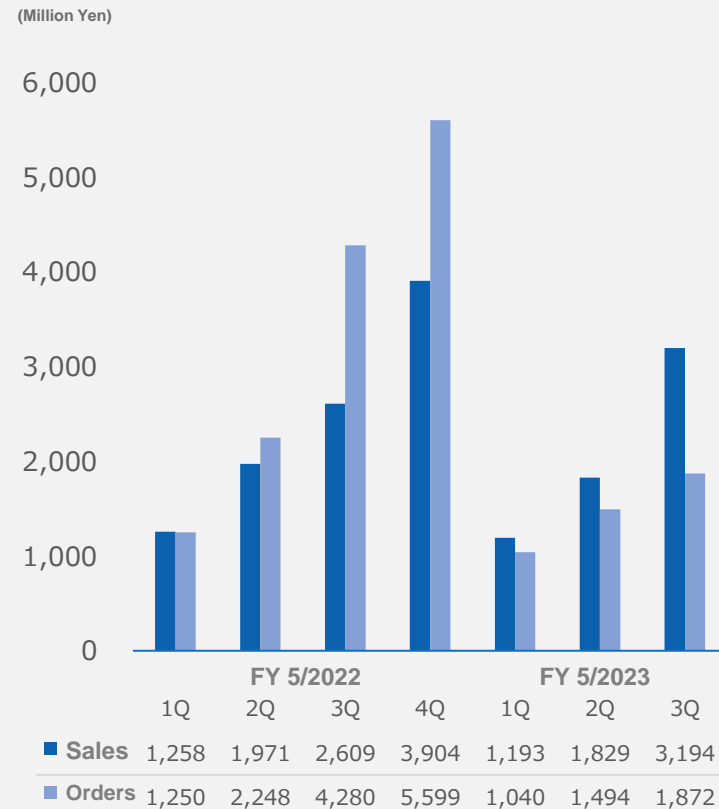
Key Points

- Sales of overseas illuminators were strong, so the segment as a whole grew sales and OP YoY.
- Orders declined YoY because of a concentration of orders from our main overseas customer in the previous period, and several orders this FYTD where the client requested a long time frame, contributing to high order backlog and difficulty in recording new orders.

Sales/Order Value/Backlog (by quarter)



Sales/Order Value (cumulative)



Major Macro Changes

(1) Market

(+) We estimate the image sensor market will continue growing medium term as high-end sensor usage and applications increase.



(2) Society

(-) Impact from societal uncertainties
- Demand for final applications such as smartphones continues to stagnate.



(3) Customer trends

(-) Domestic demand: temporary stagnation
(-) New overseas customer capex: conservative
(+) Some major customers planning new plants.
Likelihood of increased capex demand.



Major Internal Changes

(1) R&D

(+) Development of new illuminators
- Planning to sell new illuminators with higher functionality and higher margins to some major customers.

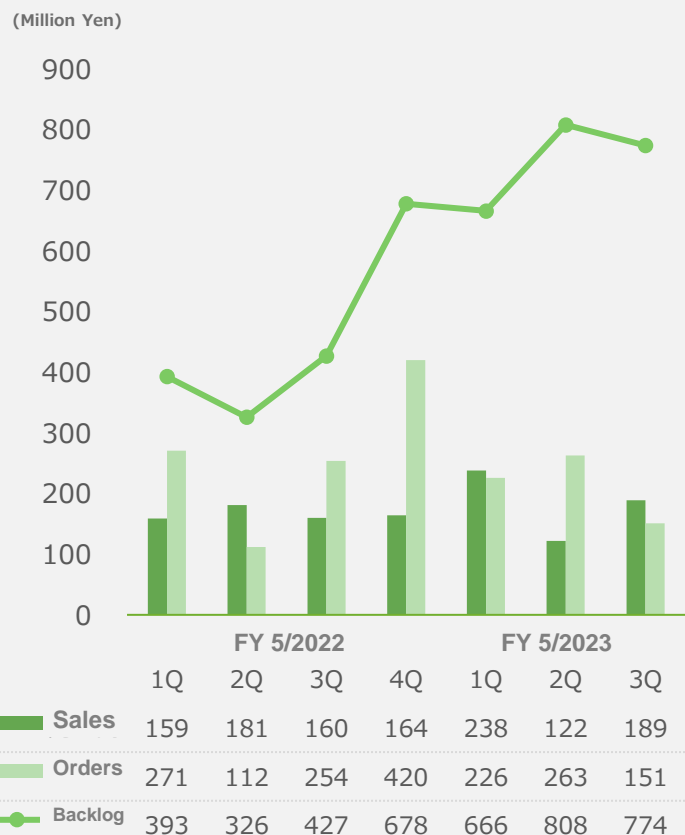


(±) PLM™ to a new customer
- We will continue to solve issues as they come and aim for higher order acquisition.

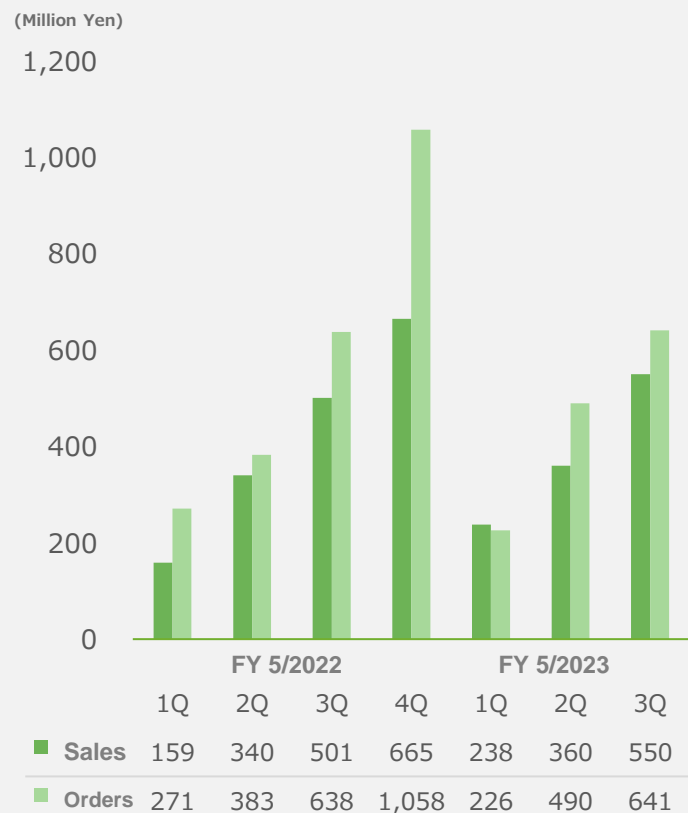
Key Points

- Drying deodorizer unit sales were strong, so sales grew YoY.
- On the other hand, parts shortages meant that high margin maintenance sales continued to be low, and OP declined YoY.
- We continue to review our internal processes to grow the business. We have also completed prototypes of new AE sensor products (failure prediction, maintenance systems) as we continue developing them.

Sales/Order Value/Backlog (by quarter)



Sales/Order Value (cumulative)



Major Macro Changes

(1) Market

- (-) Rise in energy, raw material costs
 - Price hikes on electricity, fuel, paper, ink etc. mean printing costs are trending up.
 - Possibility that this will impact demand for units and maintenance



(2) Society

- (-) Global parts shortages
 - Delivery times for units and maintenance continue to be pushed back. Part deliveries are delayed, with some parts delayed over a year.



(3) Customer trends

- (+) Increase in unit orders
 - Inquiries continue to increase as demand recovers due to flier advertising and customers moving towards addressing climate issues.



Major Internal Changes

(1) Working on new businesses

- (+) AE sensor development progress: prototypes complete

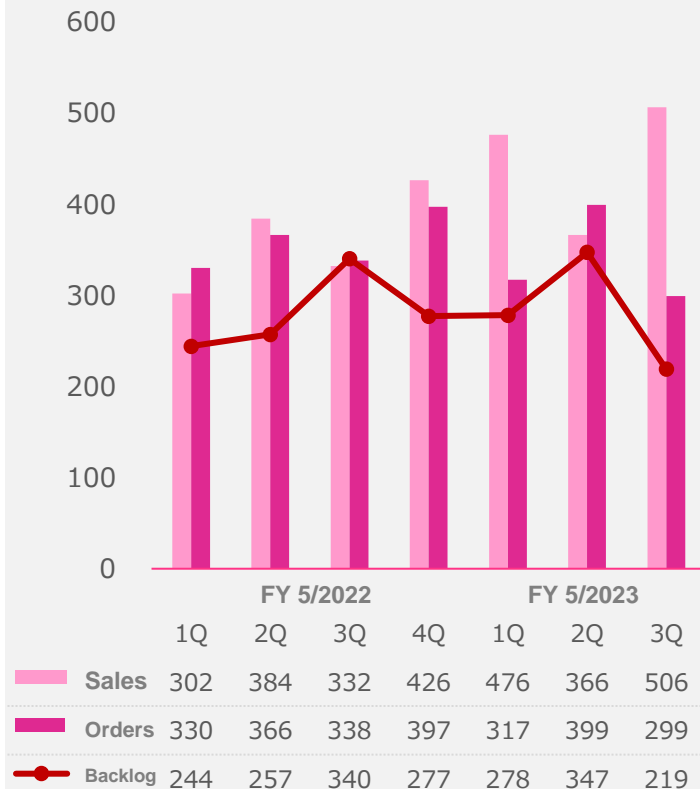


Key Points

- Sales and OP grew YoY for the segment as a whole.
- Precision vibration isolation systems: Strong sales domestically and overseas: sales and OP grew YoY. Monitoring app inquiries on the rise.
- Gear testing systems: Robust overseas sales: sales and OP grew YoY. Good reviews of our new gear roughness measuring device from several car manufacturers.

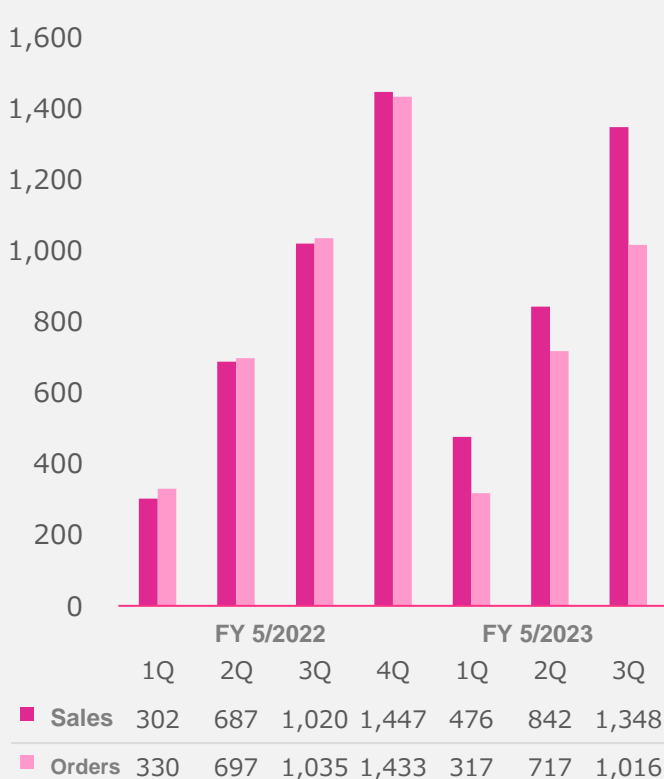
Sales/Order Value/Backlog (by quarter)

(Million Yen)



Sales/Order Value (cumulative)

(Million Yen)



Major Macro Changes

(1) Market

- (±) Conditions in the machine tool market
 - Slumping automobile production means sluggish value of machine tool industry shipments.
 - Conversely, demand for industrial robots continues to grow, mainly overseas. Also spreading to the gear manufacturing industry.



(2) Society

- (-) Supply chain disruption
 - Continued price hikes and part delivery delays



(3) Customer trends

- (+) Overseas gear testing systems
 - Continued demand increase for gear testing systems, largely from China. Increase in needs for industrial robots for factory automation.



Major Internal Changes

(1) Growth in inquiries for new products

- (+) FA image processing equipment: inquiries also in fields unrelated to gear testing.
 - Gear roughness measuring device: good reviews from several car manufacturers.



- (+) Inquiries increasing for vibration isolation equipment with a monitoring app.

Appendix ②

Company information

Name	INTER ACTION Corporation
Established	June 25, 1992
Representative	Nobuo Kiji CEO & President
Capital	1,760 million yen
Employees	126 (entire group; as of May 2022)
HQ Address	14 th Fl. Yokohama Kanazawa High-Tech Centre 1-1 Fukuura, Kanazawa Ward, Yokohama City Kanagawa Prefecture 236-000 TEL: 045-788-8373 FAX: 045-788-8371
Offices	Naka Ward, Yokohama City Koshi City, Kumamoto Prefecture

Exchange	Tokyo Stock Exchange Prime Market
Code	7725
Fiscal Year	June 1 to May 31
URL	https://www.inter-action.co.jp

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 Lastec Co., Ltd.
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KPIs

Equity Spread
ROE

Dividend Policy

Total payout ratio 30%

M&A Policy

- Growing fields, or fields with growth potential
- Fields in which our accumulated technological expertise and business know-how can be used to develop the business
- NPV positive when estimated cash flow is discounted by the WACC for the next 5 years

Mailing List

We send information relating to INTER ACTION Group to our mailing list.

Mailing list information on our website:

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

Registered information will be used solely for our mailing list.

Details on how we handle personal information is available on our website. Please see our privacy policy here:

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

Contact

INTER ACTION Corporation

Investor Relations Division, Business Administration Group

10th Floor of Industry & Trade Center Building, 2 Yamashita Town,
Naka Ward, Yokohama City, Kanagawa Prefecture 231-0023

TEL : 045-263-9220

Or please contact us through our online inquiry form:

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



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