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July 12, 2023

## Consolidated Financial Results for the Fiscal Year Ended May 31, 2023 <Japanese GAAP>

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 Listed stock exchange: Tokyo  
 Securities code: 7725  
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 Planned Date of General Shareholders' Meeting: August 24, 2023  
 Planned Commencement Date of Dividend Payments: August 25, 2023  
 Planned Filing Date of Securities Report: August 25, 2023  
 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, 2023 (June 1, 2022 to May 31, 2023)

#### (1) Consolidated operating results

(% 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	%
For the fiscal year ended								
May 31, 2023	6,856	14.0	1,448	28.2	1,503	25.6	981	28.9
May 31, 2022	6,017	(9.2)	1,130	(35.5)	1,196	(31.6)	761	(34.3)

(Note) Comprehensive income: the fiscal year ended May 31, 2023: ¥979 million / 25.8%

the fiscal year ended May 31, 2022: ¥778 million / (34.3)%

	Basic earnings per share	Diluted earnings per share	Profit to shareholders' equity	Ordinary profit to assets	Operating profit to net sales
For the fiscal year ended	Yen	Yen	%	%	%
May 31, 2023	90.12	—	10.1	12.5	21.1
May 31, 2022	69.58	—	8.3	10.4	18.8

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2023: ¥— million

the fiscal year ended May 31, 2022: ¥(0 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, 2023	12,610	10,132	80.4	934.91
As of May 31, 2022	11,533	9,340	81.0	859.88

(Reference) Shareholders' equity: As of May 31, 2023: ¥10,132 million

As of May 31, 2022: ¥9,340 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, 2023	438	(140)	(234)	6,852
May 31, 2022	423	(124)	(832)	6,740

### 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, 2022	–	0.00	–	20.00	20.00	221	28.7	2.4
May 31, 2023	–	0.00	–	25.00	25.00	274	27.7	2.8
For the fiscal year ending May 31, 2024 (Forecast)	–	0.00	–	25.00	25.00		41.3	

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2024 (June 1, 2023 to May 31, 2024)

(% figures show year-on-year change)

	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	7,058	2.9	1,037	(28.4)	1,025	(31.8)	655	(33.2)	60.49

(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 13) 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, 2023	11,510,200 shares
As of May 31, 2022	11,510,200 shares

(ii) Number of treasury shares at end of period

As of May 31, 2023	672,507 shares
As of May 31, 2022	647,207 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2023	10,886,767 shares
Fiscal year ended May 31, 2022	10,939,261 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, 2023 (June 1, 2022 to May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
May 31, 2023	4,363	9.9	1,334	19.3	1,467	21.7	1,001	24.1
May 31, 2022	3,969	(13.2)	1,119	(37.1)	1,205	(33.7)	807	(36.1)

	Profit per share	Profit per share—diluted
	Yen	Yen
For the fiscal year ended		
May 31, 2023	92.02	—
May 31, 2022	73.81	—

(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, 2023	11,100	10,106	91.0	932.54
As of May 31, 2022	10,243	9,293	90.7	855.48

(Reference) Shareholders' equity: As of May 31, 2023: ¥10,106 million

As of May 31, 2022: ¥9,293 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 4) 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

Net sales and profits in the Inter Action Group's financial results for the consolidated fiscal year under review rose year on year.

The reason for increased net sales is strong sales of products in all segments.

The main reason for increased operating profit is strong sales of high-profit products in the Internet of things related works segment and the promotion business of the Industry 4.0 segment.

As a result of these business activities, the Inter Action Group's financial results for the consolidated fiscal year under review were as follows. Net sales rose by 14.0% to 6,856 million yen (compared with 6,017 million yen in the previous fiscal year); gross profit rose by 21.6 % to 3,326 million yen largely due to increased net sales (compared with 2,736 million yen in the previous fiscal year); operating profit rose by 28.2% to 1,448 million yen (compared with 1,130 million yen in the previous fiscal year); ordinary profit rose by 25.6% to 1,503 million yen (compared with 1,196 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes rose 28.9% year on year to 981 million yen (compared with 761 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, 2023	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,907	1,124	2,061	1,762	6,856
Operating profit	476	138	589	244	1,448
Ordinary profit	519	140	590	252	1,503
Profit attributable to owners of parent	351	77	382	169	981

Moreover, with respect to the Company's non-consolidated financial results, net sales in the Internet of things related works rose by 10.1% to 4,300 million yen (compared with 3,904 million yen in the previous fiscal year). Net sales in the environmental energy related works rose 148.8% to 6 million yen (compared with 2 million yen in the previous fiscal year), and net sales in the promotion business of Industry 4.0 fell by 8.7% to 56 million yen (compared with 61 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 rose by 9.9% to 4,363 million yen (compared with 3,969 million yen in the previous fiscal year); operating profit rose by 19.3% to 1,334 million yen (compared with 1,119 million yen in the previous fiscal year); ordinary profit rose by 21.7% to 1,467 million yen (compared with 1,205 million yen in the previous fiscal year); and final profit rose by 24.1% to 1,001 million yen (compared with 807 million yen in the previous fiscal year).

#### 2) Business conditions by segment

##### (Internet of things related works)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 10.1% to 4,300 million yen (compared with 3,904 million yen in the previous fiscal year), and segment income increased by 16.2% to 2,167 million yen (compared with 1,865 million yen in the previous fiscal year). This reflects strong sales of the inspection illuminators for overseas customers.

##### (Environmental energy related works)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 14.2% to 760 million yen (compared with 665 million yen in the previous fiscal year), and the segment recorded a loss of 17 million yen (compared with loss of 0 million yen in the previous fiscal year). This is because profitability was sluggish reflecting the impact notably of soaring prices of parts and other materials, and having taken on one-off low-profit projects, despite strong sales of drying deodorizer main units and

exhaust gas treatment system main units, products that enjoy high product unit prices.

(Promotion business of Industry 4.0)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 24.1% to 1,796 million yen (compared with 1,447 million yen in the previous fiscal year), and segment profit was 135 million yen (compared with loss of 1 million yen in the previous fiscal year). This is attributable to strong sales of precision vibration isolation systems and gear testing systems.

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

As of the end of the consolidated fiscal year under review (May 31, 2023), total assets amounted to 12,610 million yen, up 1,076 million yen compared with the amount held at the end of the previous consolidated fiscal year on May 31, 2022.

Current assets amounted to 11,296 million yen, an increase of 1,080 million yen over the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in cash and deposits, up by 111 million yen, work in process, up by 648 million yen, and raw materials and supplies, up by 133 million yen.

Non-current assets amounted to 1,313 million yen, a decrease of 3 million yen compared with the end of the previous consolidated fiscal year.

As of the end of the consolidated fiscal year under review (May 31, 2023), liabilities amounted to 2,477 million yen, which is an increase of 285 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in income taxes payable, up by 162 million yen, and bonds and borrowings including the current portions thereof, up by 60 million yen.

As of the end of the consolidated fiscal year under review (May 31, 2023), net assets amounted to 10,132 million yen, which is an increase of 791 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to recording of profit attributable to owners of parent of 981 million yen despite year-end dividends in the previous fiscal year of 221 million yen.

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

For the consolidated fiscal year under review, cash and cash equivalents amounted to 6,852 million yen, which is an increase of 112 million yen compared with 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 438 million yen (compared with net cash provided by operating activities of 423 million yen in the previous fiscal year). This is mainly a result of having recorded profit before income taxes of 1,503 million yen and depreciation of 131 million yen, despite an 832 million yen increase in inventories and 378 million yen in income taxes paid. This reflects strong sales of the inspection illuminators for overseas customers.

(Cash flow from investing activities)

Net cash used in investing activities during the consolidated fiscal year under review amounted to 140 million yen (compared with net cash used in investing activities of 124 million yen in the previous fiscal year). This is mainly a result of having recorded 127 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 234 million yen (compared with net cash used in financing activities of 832 million yen in the previous fiscal year). This is mainly a result of having recorded 221 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2021	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Shareholders' equity ratio (%)	78.2	81.0	80.4
Shareholders' equity ratio at market value (%)	232.2	216.0	129.7
Debt repayment period (years)	0.4	1.9	2.0
Interest coverage ratio (times)	252.7	48.2	54.1

(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, 2024), uncertainties in the operating environment are likely to persist given concerns about growing risks of a global economic downturn arising from inflation, rising interest rates and other factors, in addition to a continued shortage of parts and other materials attributable in part to the COVID-19 pandemic, as well as geopolitical risks.

Under such circumstances, we anticipate the Group's operating results in the next consolidated fiscal year to record an increase in net sales and a decrease in profits, primarily due to a projected decrease in sales of high-profit products in the Internet of things related works and the promotion business of Industry 4.0 segments.

(Millions of yen)

	For the fiscal year ended May 31, 2023 (Actual)	For the fiscal year ending May 31, 2024 (Forecast)	Year-on-year rate (%)
Net sales	6,856	7,058	2.9
Operating profit	1,448	1,037	(28.4)
Ordinary profit	1,503	1,025	(31.8)
Profit attributable to owners of parent	981	655	(33.2)

##### 2) Business outlook by segment

###### [1] Internet of things related works

For the segment as a whole, net sales are expected to be flat year on year.

With respect to customers' investment trends in the next consolidated fiscal year, we anticipate that their willingness to make capital investment will remain unstable in view of inventory and production adjustments being carried out by image sensor manufacturers, our main customers, amid uncertainty over social outlook and other factors.

We anticipate that the solid trend in Japanese customers' capital investment will continue in the next consolidated fiscal year. In addition, we plan to start providing a new model of illuminators that offer improved inspection efficiency compared with conventional products.

Net sales of products for overseas customers are projected to be slow compared with the consolidated fiscal year under review. This is because, demand and sales volume of smartphones are predicted to remain stagnant in some regions in the next consolidated fiscal year, which will likely prompt customers to remain cautious toward capital investment.

On the other hand, we expect that the image sensor market will be expanding over the medium to long term along with further advancement of sensor technology for application in smartphones and other mobile devices, and spreading use such as of automotive sensors for autonomous driving. For this reason, we do not anticipate any change in customers' plans to gradually strengthen their production capacity. This leads us to believe that



the operating environment in the future will be solid.

We forecast net sales in this segment for the full year of 4,306 million yen.

#### [2] Environmental energy related works

As customers' willingness to invest both for replacement of existing equipment and in new equipment is on a recovery trend, driven by post-pandemic rebound in demand, we anticipate that sales of main unit projects for drying deodorizers and exhaust gas treatment systems will continue to be strong. In tandem with the above, net sales will likely be higher compared with the consolidated fiscal year under review.

Nonetheless, there is possibility that the timing of capital investment by customers may change as we continue to see lengthy delivery times for maintenance projects and main units, due in part to the impact of a global shortage of parts and other materials, thus calling for close monitoring of the trends.

We forecast net sales in this segment for the full year of 1,030 million yen.

#### [3] Promotion business of Industry 4.0

For the segment as a whole, net sales are expected to decrease year on year.

In precision vibration isolation systems, net sales are projected to be sluggish in the next consolidated fiscal year, in view of uncertainty over the trend in customers' capital investment in the next consolidated fiscal year.

Meanwhile, we have already started selling existing products with improved performance and new products such as vibration monitoring applications. By strengthening our sales promotion activities and other efforts, we will aim for these products to contribute to sales in the medium to long term.

In gear testing systems, we expect that customers' willingness to invest will remain robust given buoyant market conditions for the machine tool industry, and anticipate a year-on-year increase in net sales of existing products.

With respect to our new AI image processing equipment (gear-defect testing system), exhibition at trade shows and other efforts led to a further increase in inquiries, with expectation for an increase year on year in sales volume. Furthermore, we will be rolling out sales promotion activities not only in the gear industry but also in various other industries, and aim to develop new markets for the product.

We forecast net sales in this segment for the full year of 1,720 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, 2022	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,751,660	6,863,003
Notes receivable – trade	43,177	22,747
Accounts receivable – trade	738,000	825,942
Electronically recorded monetary claims – operating	716,488	730,787
Operational investment securities	36,549	39,149
Merchandise and finished goods	167,254	137,205
Work in process	1,142,354	1,791,333
Raw materials and supplies	579,614	712,967
Other	69,594	201,988
Allowance for doubtful accounts	(28,624)	(28,702)
<b>Total current assets</b>	<b>10,216,069</b>	<b>11,296,423</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,806	714,806
Accumulated depreciation	(450,904)	(470,006)
Buildings and structures, net	263,901	244,800
Machinery, equipment and vehicles	509,886	558,604
Accumulated depreciation	(457,929)	(465,368)
Machinery, equipment and vehicles, net	51,957	93,236
Land	165,149	165,149
Other	587,792	635,832
Accumulated depreciation	(447,508)	(497,461)
Other, net	140,284	138,370
<b>Total property, plant and equipment</b>	<b>621,292</b>	<b>641,556</b>
Intangible assets		
Goodwill	185,882	137,039
Other	25,916	32,032
<b>Total intangible assets</b>	<b>211,798</b>	<b>169,072</b>
Investments and other assets		
Investment securities	130,437	130,430
Deferred tax assets	221,064	219,309
Other	214,268	166,385
Allowance for doubtful accounts	(81,623)	(13,018)
<b>Total investments and other assets</b>	<b>484,147</b>	<b>503,106</b>
<b>Total non-current assets</b>	<b>1,317,238</b>	<b>1,313,735</b>
<b>Total assets</b>	<b>11,533,308</b>	<b>12,610,159</b>

(Unit: Thousands of yen)

	As of May 31, 2022	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	495,551	454,887
Short-term borrowings	180,000	340,000
Current portion of bonds payable	30,000	—
Current portion of long-term borrowings	69,902	63,936
Income taxes payable	143,282	306,275
Provision for product warranties	18,632	15,979
Provision for share awards for directors (and other officers)	133,000	167,000
Other	475,640	532,116
Total current liabilities	1,546,008	1,880,193
Non-current liabilities		
Long-term borrowings	523,954	460,018
Provision for share awards	8,457	9,362
Retirement benefit liability	87,716	98,827
Asset retirement obligations	10,150	10,150
Other	16,130	19,308
Total non-current liabilities	646,409	597,666
Total liabilities	2,192,417	2,477,859
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	6,122,593
Treasury shares	(1,142,686)	(1,109,626)
Total shareholders' equity	9,333,221	10,126,122
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,669	6,176
Total accumulated other comprehensive income	7,669	6,176
Total net assets	9,340,890	10,132,299
Total liabilities and net assets	11,533,308	12,610,159

(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, 2022	For the fiscal year ended May 31, 2023
Net sales	6,017,220	6,856,988
Cost of sales	3,280,880	3,530,366
Gross profit	2,736,339	3,326,622
Selling, general and administrative expenses		
Sales commission	196,567	299,204
Remuneration for directors (and other officers)	309,852	333,256
Salaries and allowances	301,356	315,733
Retirement benefit expenses	7,181	12,166
Provision for product warranties	3,737	6,166
Research and development expenses	100,208	95,188
Commission expenses	123,430	172,947
Other	563,543	643,219
Total selling, general and administrative expenses	1,605,878	1,877,885
Operating profit	1,130,461	1,448,736
Non-operating income		
Interest income	339	7,753
Dividend income	50	120
Income from assets for rent	9,383	9,240
Foreign exchange gains	60,335	44,390
Miscellaneous income	21,691	11,501
Total non-operating income	91,799	73,005
Non-operating expenses		
Interest expenses	8,558	8,072
Expenses of assets for rent	12,136	7,397
Share of loss of entities accounted for using equity method	978	—
Miscellaneous losses	3,833	2,692
Total non-operating expenses	25,507	18,162
Ordinary profit	1,196,754	1,503,580
Extraordinary income		
Gain on sales of non-current assets	338	307
Gain on sale of shares of subsidiaries and associates	3,760	—
Total extraordinary income	4,098	307
Extraordinary losses		
Loss on retirement of non-current assets	10,096	—
Loss on sales of non-current assets	1,514	—
Total extraordinary losses	11,610	—
Profit before income taxes	1,189,242	1,503,887
Income taxes – current	427,007	521,019
Income taxes – deferred	1,129	1,754
Total income taxes	428,136	522,774
Profit	761,106	981,113
Profit attributable to owners of parent	761,106	981,113

## (Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
Profit	761,106	981,113
Other comprehensive income		
Foreign currency translation adjustment	14,942	(1,492)
Share of other comprehensive income of entities accounted for using equity method	2,703	—
Total other comprehensive income	17,645	(1,492)
Comprehensive income	778,751	979,620
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	778,751	979,620
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in shareholders' equity  
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

For the fiscal year ended May 31, 2023 (June 1, 2022 – May 31, 2023)

(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	5,362,752	(1,142,686)	9,333,221
Changes of items during period					
Dividends of surplus			(221,272)		(221,272)
Profit attributable to owners of parent			981,113		981,113
Purchase of treasury shares				(99,910)	(99,910)
Transfer of treasury shares by trust				132,970	132,970
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	759,840	33,060	792,901
Balance at end of current period	1,760,299	3,352,855	6,122,593	(1,109,626)	10,126,122

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	7,669	7,669	9,340,890
Changes of items during period			
Dividends of surplus			(221,272)
Profit attributable to owners of parent			981,113
Purchase of treasury shares			(99,910)
Transfer of treasury shares by trust			132,970
Net changes of items other than shareholders' equity	(1,492)	(1,492)	(1,492)
Total changes of items during period	(1,492)	(1,492)	791,408
Balance at end of current period	6,176	6,176	10,132,299

## (4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,189,242	1,503,887
Depreciation	151,038	131,846
Amortization of goodwill	48,842	48,842
Increase (decrease) in allowance for doubtful accounts	1,958	(68,523)
Increase (decrease) in provision for product warranties	(5,278)	(2,654)
Increase (decrease) in provision for share awards	4,614	904
Increase (decrease) in provision for share awards for directors (and other officers)	(61,300)	34,000
Increase (decrease) in retirement benefit liability	(8,157)	10,719
Interest and dividend income	(389)	(7,873)
Interest expenses and guarantees	8,699	8,080
Foreign exchange losses (gains)	(54,347)	(46,314)
Loss on valuation of inventories	59,692	80,829
Loss on retirement of non-current assets	10,096	—
Loss (gain) on sales of property, plant and equipment	1,175	(307)
Loss (gain) on sale of shares of subsidiaries and associates	(3,760)	—
Decrease (increase) in trade receivables	81,132	(53,581)
Decrease (increase) in inventories	(529,720)	(832,248)
Decrease (increase) in investment securities for sale	1,528	(2,600)
Increase (decrease) in notes and accounts payable – trade	120,358	(30,008)
Increase/decrease in other assets/liabilities	153,843	42,777
Subtotal	1,169,270	817,776
Interest and dividend income received	406	7,873
Interest and guarantees paid	(8,784)	(8,111)
Income taxes paid	(737,816)	(378,768)
Net cash provided by (used in) operating activities	423,076	438,769
<b>Cash flows from investing activities</b>		
Payments into time deposits	(4,300)	—
Proceeds from withdrawal of time deposits	6,000	1,300
Purchase of property, plant and equipment	(114,335)	(127,290)
Proceeds from sale of property, plant and equipment	1,376	255
Purchase of intangible assets	(11,500)	(14,168)
Payments of leasehold and guarantee deposits	(6,018)	(428)
Proceeds from refund of leasehold and guarantee deposits	1,527	—
Proceeds from sale of shares of subsidiaries and associates	2,404	—
Other	(10)	—
Net cash provided by (used in) investing activities	(124,855)	(140,332)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(30,000)	160,000
Repayments of long-term borrowings	(144,815)	(69,902)
Redemption of bonds	(60,000)	(30,000)
Repayments of finance lease liabilities	(10,903)	(9,720)
Purchase of treasury shares	(435,024)	(99,910)
Proceeds from sales of treasury shares	74,049	36,426
Dividends paid	(225,442)	(221,475)
Net cash provided by (used in) financing activities	(832,135)	(234,582)
Effect of exchange rate change on cash and cash equivalents	63,183	48,788
Net increase (decrease) in cash and cash equivalents	(470,731)	112,643
Cash and cash equivalents at beginning of period	7,211,083	6,740,352
Cash and cash equivalents at end of period	6,740,352	6,852,995



(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

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 fiscal year ended May 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 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 13,486 thousand yen (26,900 shares) at the end 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. The treasury shares in question had a book value of 499,801 thousand yen (173,228 shares) at the end of the previous fiscal year, and 367,080 thousand yen (127,228 shares) at the end of the consolidated fiscal year under review.

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

Although it is still difficult to make predictions on COVID-19 including when the 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 is highly uncertain, we need to pay attention to any developments in the situation in the period ahead. However, we do not expect these to 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 profit. 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, 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 674,453,000 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 profit in the consolidated financial statements.

For the fiscal year ended May 31, 2023 (June 1, 2022 – May 31, 2023)

(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	4,300,755	760,109	1,796,123	6,856,988	—	6,856,988
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	4,300,755	760,109	1,796,123	6,856,988	—	6,856,988
Segment income (loss)*2	2,167,077	(17,953)	135,849	2,284,973	(836,236)	1,448,736
Segment assets	9,628,199	898,028	1,983,754	12,509,982	100,176	12,610,159
Other items						
Depreciation	79,252	3,331	35,788	118,372	13,473	131,846
Increases in property, plant and equipment, and intangible assets	92,773	—	48,100	140,874	584	141,459

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

(1) The adjusted amount of segment income (loss) includes negative 755,791,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 80,829,000 yen in inventory adjustments, and 384,000 yen in intra-segment elimination.

(2) The adjusted amount of segment assets includes Company-wide assets of 100,176,000 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 profit in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)	Current consolidated fiscal year (June 1, 2022 to May 31, 2023)
Net assets per share	859.88 yen	934.91 yen
Basic earnings per share	69.58 yen	90.12 yen

(Notes) 1. Diluted earnings per share 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, 2021 to May 31, 2022)	Current consolidated fiscal year (June 1, 2022 to May 31, 2023)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	761,106	981,113
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	761,106	981,113
Average number of shares of common stock during the fiscal year (shares)	10,939,261	10,886,767

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 200,628 Company shares as of the end of the previous consolidated fiscal year (May 31, 2022), and 154,128 shares as of the end of the consolidated fiscal year under review (May 31, 2023). 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 219,725 Company shares during the previous consolidated fiscal year, and 168,099 shares during the consolidated fiscal year under review.

(Significant subsequent events)

(Disposal of treasury shares by way of third-party allotment)

The Company, at the meeting of its Board of Directors held on July 12, 2023, made a resolution on disposal of treasury shares by way of third-party allotment.

Pursuant to the resolution of the 22nd Ordinary General Meeting of Shareholders held on August 27, 2014, the Company introduced a Board Benefit Trust (BBT) to grant the Company's shares, etc. to the Directors of the Company.

In continuing the Plan, the Company resolved to make an additional contribution of money to the Trust for acquiring shares that are expected to be required for future benefits, and to dispose of its treasury shares by third-party allotment to the Trust E Account established with Custody Bank of Japan, Ltd. (trustee that is re-trusted by Mizuho Trust & Banking, Co., Ltd. as the trustee of the Trust) for the purpose of holding and disposing of the Company's shares in the administration of the Plan.

- |  |  |
|--|--|
| (1) Date of disposal                             | July 28, 2023  |
| (2) Class and number of shares to be disposed of | 81,000 shares of the Company's common stock  |
| (3) Disposal price                               | 1,403 yen per share  |
| (4) Total disposal value                         | 113,643,000 yen  |
| (5) Scheduled allottee                           | Custody Bank of Japan, Ltd. (Trust E Account)  |
| (6) Other  | The disposal of treasury shares is conditioned on the Securities Registration Statement with the Financial Instruments and Exchange Act taking effect. |

#### 4. Supplementary explanation of consolidated financial results for the fiscal year ended May 31, 2023

##### (1) Status of production, orders and sales

In the consolidated fiscal year under review, the amount of orders received and backlog of orders recorded a significant year-on-year decrease, primarily in the Internet of things related works segment. We view this decrease to be attributable largely to a concentration of orders for products for overseas customers in the previous fiscal year, and to temporary cautiousness in capital investment by image sensor manufacturers, our customer segment, during the fiscal year under review. Underlying factors, we believe, include a decrease in production volume of smartphones amid a shortage of parts and other materials as a result of the impact of lockdowns in China in 2022, in addition to a slowdown in the replacement cycle of smartphones and other final applications in recent years caused by the pandemic.

Looking ahead, we anticipate that capital investment will become active at some of our major customers from the next fiscal year or thereafter, and believe that potential capital investment demand will continue to be strong.

For these reasons, while the amount of orders received and the backlog of orders decreased compared with the previous fiscal year, we believe that the operating environment in the medium to long term will be firm.

##### 1) Production results

Segment	Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)	Current consolidated fiscal year (June 1, 2022 to May 31, 2023)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	3,942,636	3,470,801	(471,835)	(12.0)
Environmental energy-related business	761,801	805,981	44,180	5.8
Promotion business of Industry 4.0	1,630,294	1,829,015	198,720	12.2
Total	6,334,732	6,105,798	(228,933)	(3.6)

(Notes) 1. Amounts presented above 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, 2021 to May 31, 2022)		Current consolidated fiscal year (June 1, 2022 to May 31, 2023)		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	5,599,238	3,394,193	2,537,213	1,635,670	(3,062,025)	(1,758,522)
Environmental energy-related business	1,058,229	678,617	849,213	774,113	(209,016)	95,496
Promotion business of Industry 4.0	1,433,738	277,133	1,355,783	236,058	(77,954)	(41,074)
Total	8,091,205	4,349,943	4,742,209	2,645,842	(3,348,995)	(1,704,101)

(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, 2021 to May 31, 2022)	Current consolidated fiscal year (June 1, 2022 to May 31, 2023)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things-related business	3,904,770	4,300,755	395,984	10.1
Environmental energy-related business	665,403	760,109	94,706	14.2
Promotion business of Industry 4.0	1,447,046	1,796,123	349,077	24.1
Total	6,017,220	6,856,988	839,768	14.0