



INTER ACTION Corporation

# 1Q 5/2024

# Financial Results Presentation

Code: 7725

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

- This is a transcript of the financial results briefing for the first three months of the fiscal year ending May 31, 2024, held on October 12, 2023.
- The information contained in this transcript includes forecasts of future business performance. These forward-looking statements were determined by the Group based on information available at the time of publication, and contain a number of potential risks and uncertainties.
- Please be aware that actual results will be subject to future economic conditions on the business, market trends, etc., and could differ significantly from the forecasts in this presentation.
- We have made every effort to ensure that the information provided in this presentation is correct, but we do not guarantee the accuracy or completeness of the information. Please also note that the contents may be changed or deleted without notice.
- It is prohibited to duplicate or repurpose the contents published in this publication without prior consent.



# Agenda

---

- ① **Summary of Financial Results**
- ② **Topics by Segment**
- ③ **MTP Progress (Future Business Developments)**

-Appendix-

- Our Manager of Accounting (Corporate Planning Office), Naoya Kyan, will speak on the first two points: 'Summary of Financial Results' and 'Topics by Segment'.
- Our CEO and President, Nobuo Kiji, will speak on the third point: 'MTP Progress (Future Business Developments)'.



# Summary of Financial Results

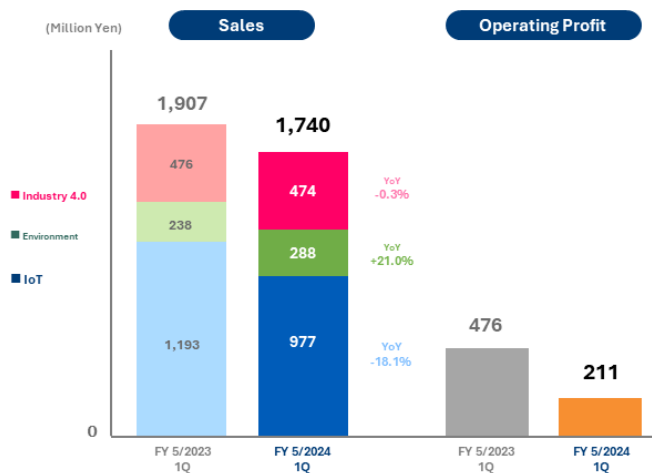
- To begin, I will explain our Group's first quarter results.

## Summary of Financial Results



### Key Points

- Consolidated sales and OP declined YoY, largely due to weakness in the IoT related business.
- **IoT related business:** High margin illuminator sales to our major overseas customer declined.
- **Environmental Energy related business:** Sales for drying deodorizer equipment and exhaust gas treatment system maintenance were robust.
- **Promotion of Industry 4.0 business:** Although precision vibration isolation system sales were strong, gear testing equipment sales declined.
- **In this fiscal year, we forecast a skew to the 2H, and consider this 1Q broadly in line with our forecast.**



### Changes in Major Management Indicators

(Million Yen)	1Q 5/23	1Q 5/24	YoY Growth (%)
Sales	1,907	1,740	-8.8
OP	476	211	-55.7
RP	519	239	-53.8
NP	351	150	-57.2
EPS	Y32.38	Y13.90	-

© INTER ACTION CORPORATION.

4

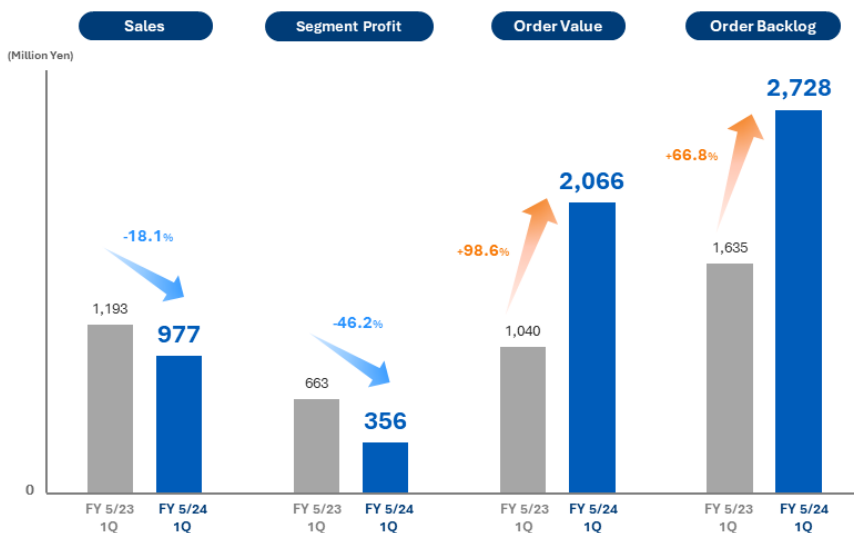
- In the first quarter, we achieved Y1.74bn sales, Y211m operating profit, Y239m recurring profit, and Y150m net profit. First quarter EPS was Y13.90.
- The reason operating profit declined at a faster pace than sales was because of sales mix in the IoT related business. The products we sell to our major overseas customer are higher margin than those we sell to our major domestic customer, and the proportion of overseas sales was high in the first quarter of the previous fiscal year but low in this first quarter, leading to rapid operating profit decline. Essentially, the proportion of domestic and overseas sales in last year's first quarter has inverted this year (1Q 5/23: 25% domestic, 75% overseas / 1Q 5/24: 70% domestic, 30% overseas).
- These first quarter results are in line with plan, and progressing well against our forecast for the fiscal year.



## Topics by Segment

- Next, I will talk about topics for each segment.

Sales and OP declined but order value increased sharply due to upfront investment etc. from our main domestic customer



➤ Capex demand at our main domestic customer saw robust growth as it continued mid-term moves towards bolstering production capacity. The large order value growth was due to orders for our new line of illuminators.

➤ Our major overseas customer was impacted by stagnating smartphone demand and sales volumes in some regions, leaving our customer cautious about capex.  
 ➤ Stagnating smartphone demand is likely due to a decelerating replacement purchase cycle, and the growth of the used smartphone market.

**Additionally**

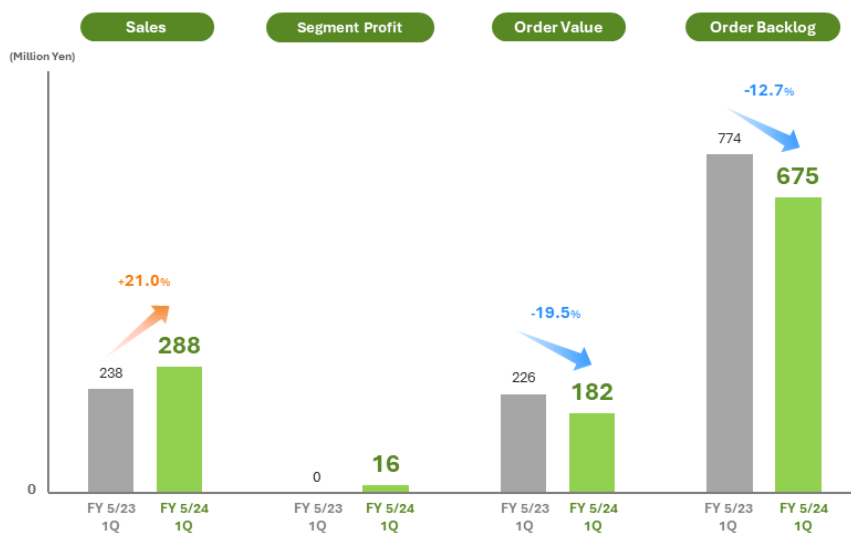
➤ We expect the image sensor market to recover gradually from 2024.  
 ➤ Demand is still centered on mobile-use image sensors, and mobile-use illuminators make up the majority of our sales.  
 ➤ On the other hand, demand for illuminators for auto-use sensors is on a growth trend, and there is a possibility of more demand with the rise of autonomous driving.

- In the IoT related business (mostly selling illuminators and the Pupil Lens Module®), sales and segment profit declined year-on-year, but order value and order backlog increased sharply due to our major domestic customer’s moves toward bolstering production capacity over the medium term.
- Our major overseas customer continued to be cautious regarding capex due to macro factors such as stagnating smartphone sales volumes.
- Mobile-use image sensors continue to dominate the market, but illuminator demand for auto-use sensors is on the rise, and we believe it will continue to grow.
- There is competition against the Pupil Lens Module®, but we recorded sales above our estimates.

## Environmental Energy Related Business



Sales and OP increased as capex demand began to return to pre-COVID-19 levels



- High-price drying deodorizer equipment sales were strong.
- High margin maintenance sales were strong for exhaust gas treatment systems.
- Demand increased due to METI's initiative for supporting investment in energy saving.

- Cost increases and delivery delays continued due to parts shortages, etc. We are proactively dealing with the issue.

### Additionally

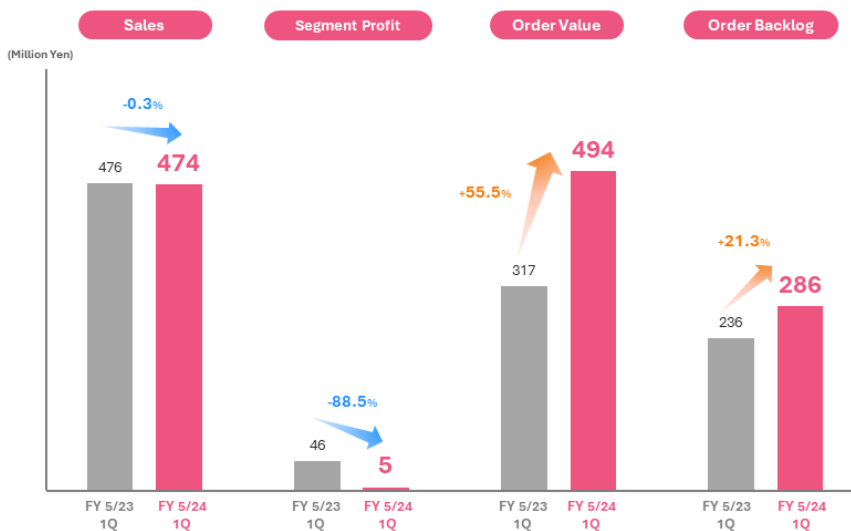
- We have nearly completed prototypes of our new AE sensors (failure prediction). We aim to deliver to customers this FY.
- We hired several new employees to strengthen and rebuild our corporate structure.
- We are looking into carbon neutral initiatives (e.g. next generation energy production using ammonia processing tech).

© INTER ACTION CORPORATION.

7

- In the Environmental Energy related business (mostly selling drying deodorizers and exhaust gas treatment systems), sales and segment profit both increased as demand for our products began to return to pre-COVID-19 levels.
- Drying deodorizer equipment sales were strong, and high margin maintenance sales were strong in the exhaust gas treatment system business.
- Supply chain disruption meant that some parts deliveries continued to take longer than usual, but we are proactively dealing with the issue.
- We are close to finishing a prototype of our new AE sensor (failure prediction), and we aim to deliver to customers this fiscal year.

Order value rose sharply, but sales and OP declined due to auto-related capex in gear testing equipment slowing



➤ Precision vibration isolation system sales and orders grew robustly mostly on large domestic orders.  
 ➤ We also received overseas inquiries for large-scale orders and we expect both overseas and domestic demand for precision vibration isolation systems to grow.

➤ Precision vibration isolation system deliveries tended to be postponed due to end user construction delays.  
 ➤ Auto-related companies invested in gear testing equipment actively last year, but this 1Q was calmer. This contributed to OP decline as gear testing equipment is higher margin than precision vibration isolation systems.

**Additionally**

- We released the vibration monitoring app and received orders for it.
- We are testing vibration equipment prototypes, aiming for mass production.
- We received new orders from large electronics manufacturers for AI image processing equipment.
- We have received inquiries from auto manufacturers regarding gear roughness measuring devices. We are currently testing data etc. with a view to taking orders.

- In the Promotion of Industry 4.0 business (mainly selling precision vibration isolation systems and gear testing equipment), sales remained flat but segment profit decreased.
- Segment profit declined largely due to the proportion of precision vibration isolation system sales increasing while the proportion of gear testing equipment decreased. Gear testing equipment margins are higher than precision vibration isolation systems', so as gear testing system sales decrease, so too does segmental profit.
- In the precision vibration isolation system business, we released our vibration monitoring app (which measures and visualizes vibrations) and began receiving orders for it.
- We are currently testing mass production prototypes of our other new product, vibration equipment (which accurately generates the slightest of vibrations, allowing for reproduction of the vibration environment).
- There is non-gear related inspection demand for AI image processing equipment, our new product in the gear testing equipment business: we are receiving orders not just from gear manufacturers but also major household electronics manufacturers.
- We have begun receiving inquiries from car manufacturers for another new product, our gear roughness measuring devices. We are testing data with a view to taking orders.





## **MTP Progress (Future Business Developments)**

- Now, we will move to an explanation of our MTP progress and future business developments.

In our medium-term plan we aim to enter **2 new markets**



**Aiming for new  
business fields**

### ① Semiconductor Production Market

IoT related business

Laser processing  
business

AI image processing  
business

### ② Next Generation Factory Market

AI image processing  
business

Vibration solutions  
business

- In terms of future developments, we aim to break into two new markets during our MTP.
- One is the semiconductor production market, and the other is the next generation factory market.
- As we consider technical innovation the most vital part of improving our customers' productivity, we plan to innovate technology in both new business fields.

## Semiconductor Market: IoT Related Business (Image Sensor Testing/Illuminators)



We plan to use **technical innovation with our existing customers** and the **acquisition of new customers** to **lead the industry** and **grow our market share further**



© INTER ACTION CORPORATION.

\*DuT: Devices under Test; the number of devices an illuminator can manage at one time

11

- Firstly, in the semiconductor market, we aim to further strengthen our existing IoT related business, lead the industry, and innovate technically.
- Currently, we hold the top share of the image sensor market amongst high-end manufacturers (our current customers). We are the only company in the image sensor testing industry with top share amongst high-end manufacturers, and so we aim to use that technological prowess to develop new products and thereby become leaders to guide our customers.
- Our illuminator share with our major domestic customer has dropped temporarily, but we expect to take back close to a 100% share with the new illuminator line we have developed using technical innovation.
- Also in the illuminator business, we aim to develop illuminators for low-end manufacturers as well (new customers): our target is 100% share of the image sensor market. We are not at liberty to disclose names, but we are currently collaborating with partner companies.
- We plan to come to a final decision on whether or not to produce low-end illuminators once we have weighed up the strategic advantages and the disadvantages to profitability, however.

## Semiconductor Market: IoT Related Business (Image Sensor Testing/Pupil Lens Module® (PLM®))



With the implementation of **automatic PLM® production**, we plan to **strengthen our business foundation**, allowing us to **innovate existing customers' technology** and **acquire new customers**



© INTER ACTION CORPORATION.

12

- Our Pupil Lens Module® (PLM®) market share with our major domestic customer has dropped due to the arrival of competition, but we believe this setback will act as good motivation for us.
- Our aim is not to restrict production to our own company, but to draw in customers and partner companies from neighboring fields, take the helm and bring about vast technical innovations to develop a new kind of Pupil Lens Module®, and thus regain our share.
- On the other hand, we continue to test Pupil Lens Modules® for overseas usage, and have cleared all technical issues.
- By introducing Pupil Lens Module® Automated Production Equipment, we aim to automate the production process, thereby shortening delivery times, improving efficiency and quality, and enacting a large rise in productivity per employee. We also believe we can improve added value for all customers, and we aim to improve profitability.

## Semiconductor Market: Laser Business (Wafer Dicing)



We still aim to enter the wafer dicing process section of the semiconductor market by developing our laser processing equipment

Focus on laser R&D and working as a laser equipment trading company

Continue + sell laser processing machines

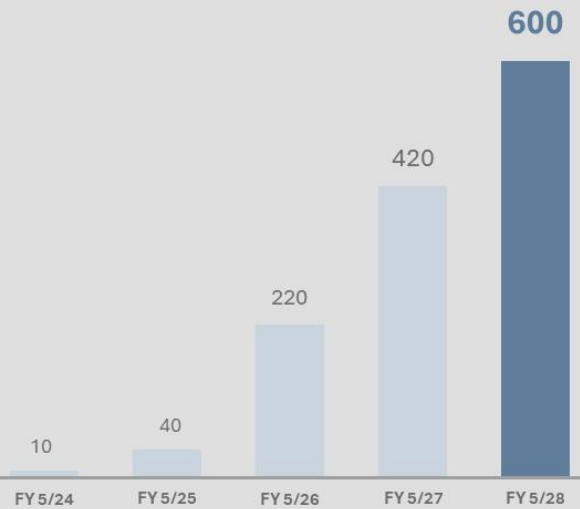
Sales  
(Million Yen)

Dicing equipment development progressing to plan (planned release: 2024)



We have installed a prototype at our Nagasaki Development Center (pictured above). We are currently testing and collecting data in order to improve performance

2023  
June - August



© INTER ACTION CORPORATION.

13

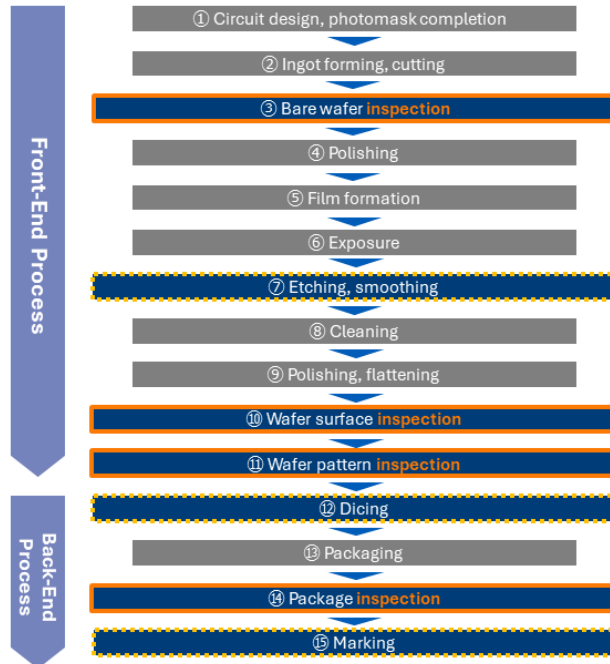
- We would like to enter the semiconductor market with fields other than image sensors, and thus will develop businesses using laser technology.
- One is a business we have mentioned before: wafer dicing equipment.
- We have installed a dicing equipment prototype at our Nagasaki Development Center and are currently collecting data and testing it in order to improve functionality.
- The project is on schedule for a 2024 prototype release.
- We continue research to improve throughput, accuracy, and processing quality.

## Semiconductor Market: Laser Business (Other: the Semiconductor Production Process)



We are also progressing R&D with **applications other than the wafer dicing process** in mind

-  Laser application possible (processing)
-  Laser application possible (inspection)



Motivated by customer needs, we are exploring applications in not just processing, but **inspection equipment**

By 'revealing the **invisible**' we will expand inspection possibilities in the semiconductor manufacturing process

© INTER ACTION CORPORATION.

14

- We also hope to use laser technology to move into parts of the semiconductor production process other than dicing.
- Here, I would like to talk about our business trajectory in the field of semiconductors.
- Thanks to our laser technology, we regularly receive large volumes of development requests. We believe it is a core duty of ours to respond to our customers' technological needs, and so we aim to put forward a number of products for different parts of the semiconductor process. We are particularly considering how to position our illuminator business in the next generation semiconductor production process.
- With our customers' needs and the fruits of our R&D efforts, we believe our laser business' path to growth is already paved.

## Semiconductor Market: AI Image Processing Business (Semiconductor Inspection Process)



Improving product value / Market diversification

Step 1 Advancing gear inspection

Step 2 Applying to semiconductor inspection

Step 3 Further participation in the semiconductor process

Future steps

Breaking into new markets

**CLEAR!**

FA image processing equipment (for gears): complete

R&D → Productization

- Vast improvement of accuracy and efficiency in gear defect inspection
- Currently expanding sales

In progress

AI image processing equipment (for semiconductors): in development

Equipment orders

Semiconductor equipment manufacturers → AI image processing equipment

- Inquiries from semiconductor equipment manufacturers
- Currently cooperating for R&D

step up

Application in various inspections

AI image processing equipment → New markets (semiconductor inspection process)

- Aiming to expand the **imaging tech** and **AI tech** developed in our image sensor illumination and gear-related FA image processing businesses

Reveal the invisible  
Make the impossible possible

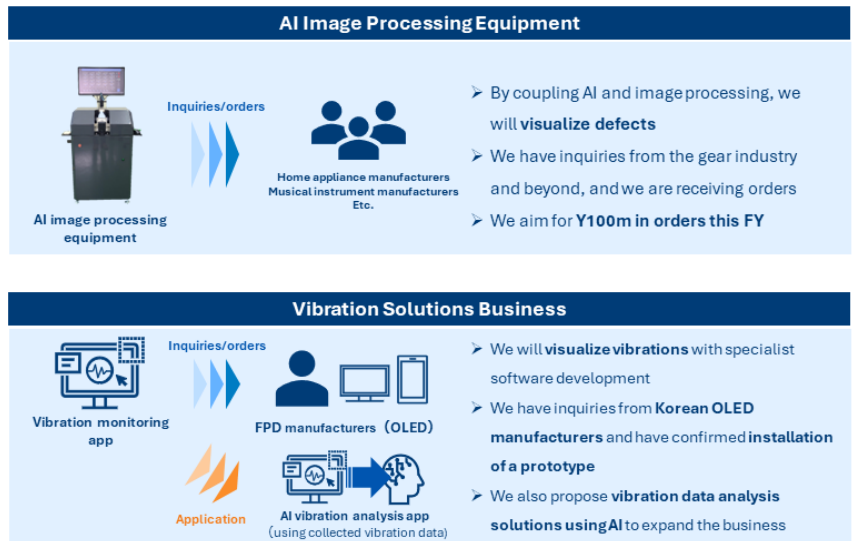
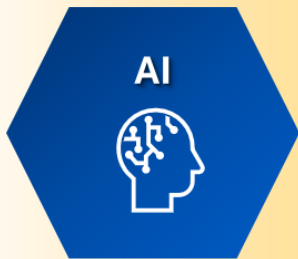
Generate annual sales in the hundreds of millions of yen by 2028

© INTER ACTION CORPORATION.

15

- We also aim to enter the semiconductor market with our AI image processing equipment.
- We have conducted R&D for gear-use AI image processing equipment over the past few years. Recently, we have completed the equipment and begun to sell it.
- We now hope to apply it to non-gear inspection. We aim to develop products for the semiconductor production process in order to further our ambitious goal of moving all erstwhile visual inspections to image processing inspections using AI and cameras.
- Our AI image processing technology uses both AI technology able to use images to make decisions, and imaging technology developed with our experience in image sensor inspections. We believe it is becoming a new strength for our company.
- We are unable to disclose exactly which point in the production process the inspections in question take place, but we are receiving inquiries, and the results of verification tests have been favourable.
- ‘Reveal the invisible, and make the impossible possible’ – we will unlock the potential of society, of our customers, and of each of our employees.

We will use AI to **visualize data** and contribute to the **improvement of our customers' productivity**



- Next, I would like to talk about our initiatives in the next generation factory market.
- We believe that the implementation of AI into society is necessary for societal development. With that end in mind, we believe that developing AI-related business is the right choice for society, our customers, and our Group. Specifically, we are making developments in and expanding sales of our AI image processing equipment that can use optics to visualize invisible defects on an image and collect data for AI analysis, and our vibration monitoring app that visualizes via data vibrations the human body cannot feel. We see it as our duty to introduce these products to customers to improve their productivity.
- Inquiries and orders in our AI image processing equipment business are strong, and we are expanding sales activities with a goal of Y100m in orders this fiscal year. We aim to hand over image processing and visual inspections to AI, improving each customer's productivity. Application is possible in non-gear fields, and the equipment can inspect defects that other companies' equipment cannot detect. For that reason, we are receiving inquiries from a large range of customers and have a new appreciation for the high level of technology present in this equipment.
- We have confirmed installation of a prototype vibration monitoring app for the next generation OLED production process at Chinese and Korean customers, and we plan to introduce it to other parts of the process in future. At the same time, we are proposing AI vibration data analysis solutions to display manufacturers to expand the vibration solutions business. Data is necessary in order to utilize AI. The vibration monitoring app makes vibration data collection and analysis possible; thus, we expect vibration monitoring app usage to increase.
- We are also expanding sales of our new product, vibration equipment. It helps to pinpoint issues in operating environment tests by recreating specific vibration environments.



- By delving into next generation products, we would like to improve the value of our existing products, and raise profitability as a whole.

Focusing on training and hiring, we will build organizational foundations in order to achieve our MTP goals

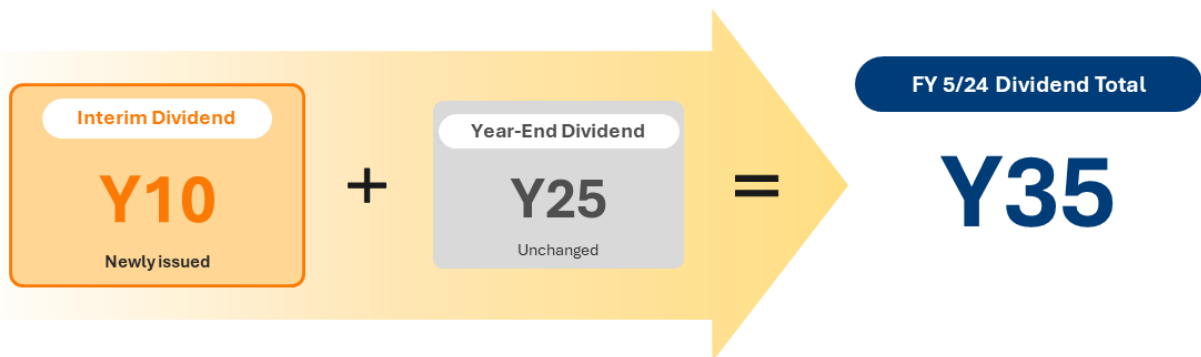


© INTER ACTION CORPORATION.

17

- We would like to build the foundation for a successful MTP within this fiscal year. We are currently renewing the President's office, and hiring and training personnel to lead each business.
- Within the President's office, we are strengthening corporate planning, hiring personnel for M&A, and renewing our efforts toward M&A to grow the parent business and successfully achieve our MTP targets.
- In addition to hiring exceptional leaders for each business, we have from this first quarter implemented a new internal training system called 'Hero Academia' to strengthen our personnel training and uncover the abilities of each employee.
- To a company, people are not capital, but a goal. People are fundamental to society, to customers, to companies, and we believe it is society's duty to contribute to the happiness of its people. To begin with, we will put together a team that can work together to realize growth for our company, and this fiscal year we aim to build a picture of how we will achieve our MTP goals.

We have reviewed our shareholder returns and decided on an [interim dividend](#)



- We have **proactively increased our dividend** in light of our financial situation and growth prospects
- Our general **total return ratio policy is >30%**
- We have not set a **target payout ratio**, but in general we aim for **stable dividends** without reductions

© INTER ACTION CORPORATION.

18

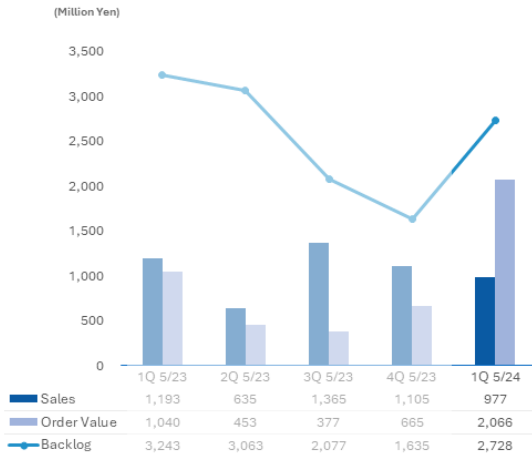
- We have decided to revise our dividend forecast to give back to shareholders: we now forecast an interim dividend of 10 yen and a year-end dividend of 25 yen, totalling 35 yen for the fiscal year.
- In general, we prefer to maintain a total shareholder return ratio of approximately 30%, based on our business growth potential.
- We had thought to increase our dividend alongside our business growth, but raised the dividend in advance based on our financial situation and growth potential.
- There is great variation in capex scale within the semiconductor industry, leading to volatile financial results. We wish to spare our shareholders the same volatility in returns, and generally aim to keep dividends stable, but we also believe it best to consider our financial situation and business trends before deciding on a dividend.
- With that, we conclude our financial results presentation.



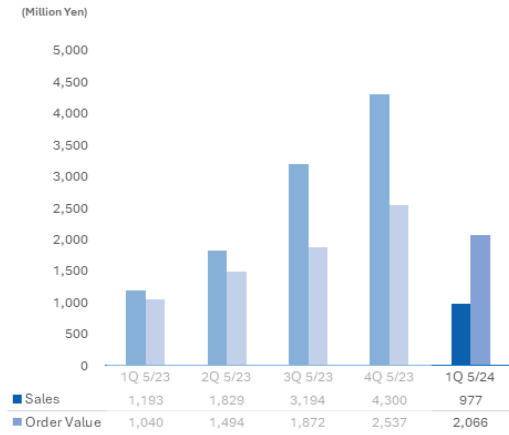
## Appendix ①

# Sales, Order Value, and Order Backlog

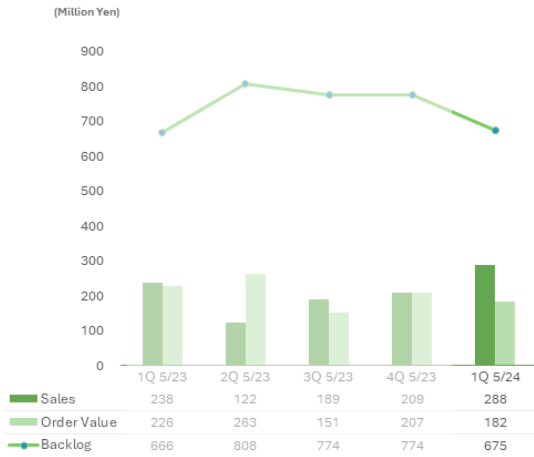
Sales/Order Value/Order Backlog (by quarter)



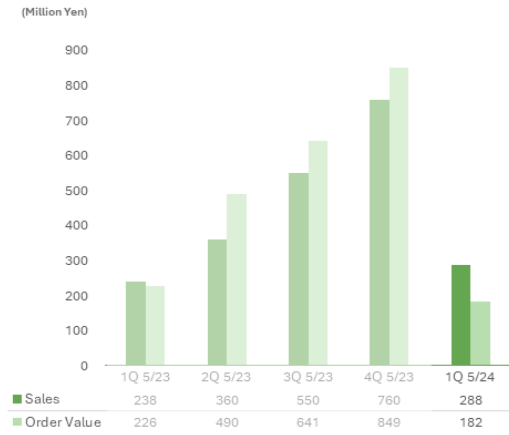
Sales/Order Value (cumulative)



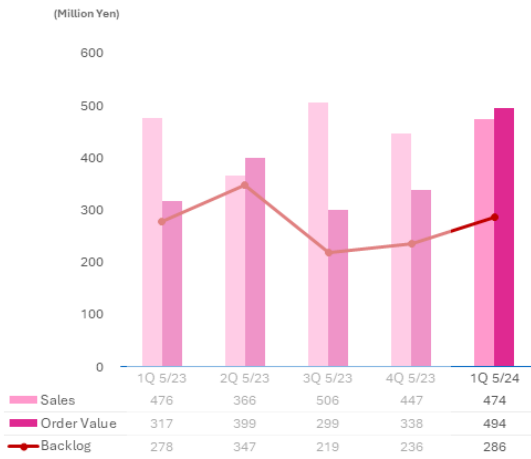
Sales/Order Value/Order Backlog (by quarter)



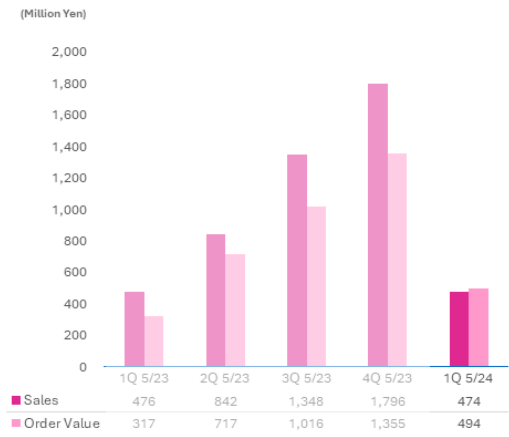
Sales/Order Value (cumulative)



Sales/Order Value/Order Backlog (by quarter)



Sales/Order Value (cumulative)



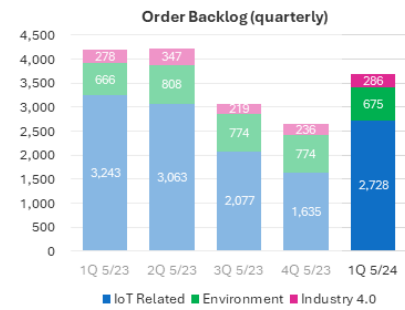
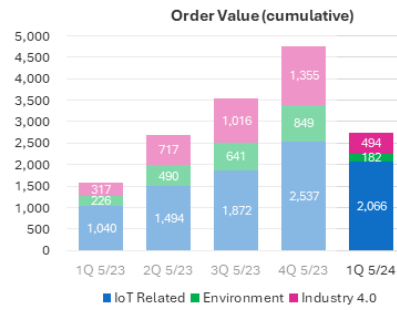
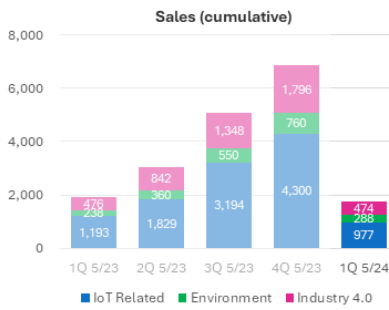
# Consolidated



1Q 5/23 Results

(Million Yen)

Business Segment	Sales		Order Value		Order Backlog	
	Results	YoY Growth	Results	YoY Growth	Results	YoY Growth
IoT Related Business	977	-18.1%	2,066	98.6%	2,728	-15.9
Environmental Energy Related Business	288	21.0%	182	-19.5%	675	1.4
Promotion of Industry 4.0 Business	474	-0.3%	494	55.5%	286	2.8
<b>Total</b>	<b>1,740</b>	<b>-8.8%</b>	<b>2,743</b>	<b>73.0%</b>	<b>3,690</b>	<b>-11.9</b>







## Appendix ②

# Company Information

## 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 2023)
HQ Address	14 <sup>th</sup> 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 Nagasaki City, Nagasaki Prefecture

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

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.
-----------------	---

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/](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/>



---

## Disclaimer

The information contained in this presentation includes forecasts of future business performance. These forward-looking statements were determined by the Group based on information available at the time of publication, and contain a number of potential risks and uncertainties. Please be aware that actual results will be subject to future economic conditions on the business, market trends, etc., and could differ significantly from the forecasts in this presentation.

We have made every effort to ensure that the information provided in this presentation is correct, but we do not guarantee the accuracy or completeness of the information. Please also note that the contents may be changed or deleted without notice.

It is prohibited to duplicate or repurpose the contents published in this presentation without prior consent.

---