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

October 12, 2018

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 31, 2019 <Japanese GAAP>

Listed company: INTER ACTION Corporation
Listed stock exchange: Tokyo
Securities code: 7725
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Submission of quarterly report: October 15, 2018
Dividend payment commencement date: –
Preparation of explanatory materials for quarterly financial results: Yes
Holding of a briefing on quarterly financial results: None

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Cumulative First Quarter of the Fiscal Year Ending May 31, 2019 (June 1, 2018 to August 31, 2018)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2018	1,571	48.8	219	65.4	209	71.7	136	120.9
Three months ended August 31, 2017	1,056	12.4	132	25.7	121	45.6	61	(3.2)

(Note) Comprehensive income: Three months ended August 31, 2018: ¥122 million / 99.3%
Three months ended August 31, 2017: ¥61 million / 19.4%

	Net income per share	Net income per share–diluted
	Yen	Yen
Three months ended August 31, 2018	14.41	—
Three months ended August 31, 2017	6.49	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2018	6,354	3,629	57.1	385.13
As of May 31, 2018	6,573	3,682	56.0	389.62

(Reference) Shareholders' equity: As of August 31, 2018: ¥3,629 million
As of May 31, 2018: ¥3,682 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the first quarter of the fiscal year ending May 31, 2019. The figures presented for the fiscal year ended May 31, 2018 reflect amounts subsequent to retrospective application of the aforementioned standard.

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2018	–	0.00	–	13.00	13.00
Fiscal year ending May 31, 2019	–				
Fiscal year ending May 31, 2019 (Forecast)		0.00	–	13.00	13.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2019 (June 1, 2018 to May 31, 2019)

(% figures show year-on-year change for the full year and quarter)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,148	2.3	1,001	(0.4)	1,010	2.3	606	(11.7)	64.33

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

(Note) The Company has implemented an ESOP and Directors' stock compensation plan both in the form of stock benefit trusts. Accordingly, calculations in that regard are based on the average number of shares during the fiscal year, excluding the number of treasury shares which includes Inter Action stock held by the stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts.

*** Notes**

(1) Change in significant subsidiaries during three months ended August 31, 2018 (changes in specified subsidiaries affecting the scope of consolidation): None

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

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

(3) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: None
(ii) Changes in accounting policies other than item (i) above: None
(iii) Changes in accounting estimates: None
(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

As of August 31, 2018	10,052,100 shares
As of May 31, 2018	10,052,100 shares

(ii) Number of treasury shares at end of period

As of August 31, 2018	629,054 shares
As of August 31, 2017	600,754 shares

(iii) Average number of shares during period

For the three months ended August 31, 2018	9,441,503 shares
For the three months ended August 31, 2017	9,487,988 shares

(Note) The Company has implemented an ESOP and Directors' stock compensation plan both in the form of stock benefit trusts. Accordingly, treasury shares, as stated, include Inter Action stock held by the stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts.

* Quarterly financial results are not subject to auditing by a certified public accountant or an audit firm.

* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on certain assumptions on economic situation, market trends, etc. deemed to be reasonable when the forecasts were made. Consequently, actual results may differ from the forecasts due to a variety of future factors. For details of the above forecasts, refer to"(3) Explanation of forward-looking information including consolidated earnings forecasts" under "1. Qualitative Information on Quarterly Results" (page 3) of the Attached Materials.

[Attached Materials]

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1. Qualitative Information on Quarterly Result

(1) Explanation of consolidated operating results

With respect to markets served by the Inter Action Group, in the image sensor industry, capital investment among semiconductor manufacturers has remained firm during the first quarter of the consolidated fiscal year under review. Meanwhile, in the printing machinery industry there has been a trend of falling demand for replacement printing machinery. Also, capital investment in the flat-panel and organic EL display industry is likely to increase over the medium to long term, although the market for such products has slackened.

As a result, net sales for the first quarter of the consolidated fiscal year under review were 1,571 million yen, an increase of 48.8% year on year, and gross profit increased by 30.2% to 669 million yen largely due to the increase in net sales. Moreover, under selling, general and administrative expenses, research and development expenses and business office repair expenses increased by 17 million yen and 16 million yen, respectively. Meanwhile, operating income was 219 million yen for an increase of 65.4% year on year, ordinary income was 209 million yen for an increase of 71.7%, and profit attributable to owners of parent less income taxes was 136 million yen for an increase of 120.9%.

The overall performance of each business segment was as follows.

(Internet of things related works)

Inspection illuminators for CCD and C-MOS image sensors, the Inter Action Group's mainstay products, generated favorable sales amid a scenario of robust capital investment involving products geared to smartphones and tablet devices among semiconductor manufacturers, who are our main customers. Given steady sales of pupil lens modules as well, the Company achieved year-on-year increases with respect to both revenue and earnings.

During the first quarter of the consolidated fiscal year under review, net sales to this segment's external customers increased by 49.2% to 764 million yen (in comparison with 512 million yen in the previous fiscal year), and segment income increased by 15.2% to 311 million yen (in comparison with 270 million yen in the previous fiscal year).

(Environmental energy related works)

During the first quarter of the consolidated fiscal year under review, we endeavored to increase sales of our energy-saving maintenance services which reduce costs and deliver high added-value, despite the apparent trend of falling demand for replacement printing machinery.

During the first quarter of the consolidated fiscal year under review, net sales to this segment's external customers increased by 24.1% to 216 million yen (in comparison with 174 million yen in the previous fiscal year), and segment income decreased by 47.5% to 8 million yen (in comparison with 16 million yen in the previous fiscal year).

(Promotion business of Industry 4.0)

In the promotion business of Industry 4.0 segment, although we anticipate mounting appetite for capital investment over the medium term among overseas LCD panel manufacturers who purchase precision vibration isolation systems, the market waned in the first quarter of the consolidated fiscal year under review upon having entered into a slow phase with respect to factory construction.

During the first quarter of the consolidated fiscal year under review, net sales to this segment's external customers increased by 59.9% to 590 million yen (in comparison with 369 million yen in the previous fiscal year), and segment income was 51 million yen (in comparison with segment loss of 12 million yen in the previous fiscal year).

Tokyo Technical Instruments Inc. and its subsidiary were added to the scope of consolidation beginning in the second quarter of the previous consolidated fiscal year. As such, the consolidated financial results for the first quarter of the previous fiscal year do not include results of either company. In the first quarter of the consolidated fiscal year under review, the two companies generated net sales of 138 million yen and segment income of 4 million yen.

(2) Explanation of financial position

As of the end of the first quarter of the consolidated fiscal year under review (August 31, 2018), total assets amounted to 6,354 million yen, which is a decrease of 219 million yen in comparison to the amount held at the end of the previous consolidated fiscal year on May 31, 2018.

Current assets amounted to 5,035 million yen, which is a decrease of 203 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective decreases in cash and deposits, down by 292 million yen and notes and accounts receivable-trade, down by 134 million yen, and despite an increase in electronically recorded monetary claims-operating, up by 204 million yen.

Non-current assets amounted to 1,319 million yen, which is a decrease of 16 million yen in comparison to the end of the previous consolidated fiscal year.

As of the end of the first quarter of the consolidated fiscal year under review (August 31, 2018), liabilities amounted to 2,724 million yen, which is a decrease of 166 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to a net decrease in bonds and loans payable including the current portions thereof amounting to 160 million yen.

As of the end of the first quarter of the consolidated fiscal year under review (August 31, 2018), net assets amounted to 3,629 million yen, which is a decrease of 53 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to year-end dividends in the previous fiscal year of 125 million yen and purchase of treasury shares of 49 million yen, and despite having recorded profit attributable to owners of parent of 136 million yen.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the first quarter. Financial data for comparison with the previous consolidated fiscal year reflect amounts subsequent to retrospective application of the aforementioned standard.

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

There is no amendment to consolidated earnings forecasts for the fiscal year ending May 31, 2019 disclosed on July 13, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2018	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	2,253,833	1,961,533
Notes and accounts receivable-trade	1,235,614	1,101,072
Electronically recorded monetary claims-operating	403,011	607,105
Operational investment securities	60,884	57,249
Merchandise and finished goods	92,536	116,487
Work in process	686,350	676,631
Raw materials and supplies	440,443	405,479
Other	80,841	132,752
Allowance for doubtful accounts	(14,846)	(23,297)
Total current assets	5,238,670	5,035,014
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	298,804	293,770
Land	169,901	169,901
Other, net	166,972	187,107
Total property, plant and equipment	635,678	650,778
Intangible assets		
Goodwill	419,949	406,490
Other	55,244	52,460
Total intangible assets	475,193	458,950
Investments and other assets		
Investment securities	30,658	28,614
Other	198,339	185,456
Allowance for doubtful accounts	(4,737)	(4,734)
Total investments and other assets	224,260	209,335
Total non-current assets	1,335,132	1,319,065
Total assets	6,573,803	6,354,079
Liabilities		
Current liabilities		
Notes and accounts payable-trade	482,446	540,952
Short-term loans payable	160,000	140,000
Current portion of bonds	90,000	80,000
Current portion of long-term loans payable	395,524	386,067
Income taxes payable	257,548	109,905
Provision for bonuses	—	38,705
Provision for product warranties	9,134	23,693
Provision for director stock benefits	141,244	162,312
Other	335,808	336,277
Total current liabilities	1,871,706	1,817,913
Non-current liabilities		
Bonds payable	210,000	180,000
Long-term loans payable	693,505	602,284
Provision for stock benefits	2,308	2,438
Net defined benefit liability	84,322	87,587
Asset retirement obligations	10,138	10,140
Other	19,356	24,577
Total non-current liabilities	1,019,631	907,028
Total liabilities	2,891,337	2,724,942

(Unit: Thousands of yen)

	As of May 31, 2018	As of August 31, 2018
Net assets		
Shareholders' equity		
Capital stock	610,982	610,982
Capital surplus	1,570,286	1,570,286
Retained earnings	1,804,372	1,814,955
Treasury shares	(317,263)	(367,234)
Total shareholders' equity	3,668,377	3,628,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,049	1,481
Foreign currency translation adjustment	12,038	(1,335)
Total accumulated other comprehensive income	14,088	146
Total net assets	3,682,465	3,629,137
Total liabilities and net assets	6,573,803	6,354,079

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(June 1, 2018 – August 31, 2018)

(Unit: Thousands of yen)

	Three months ended August 31, 2017	Three months ended August 31, 2018
Net sales	1,056,130	1,571,513
Cost of sales	542,285	902,258
Gross profit	513,844	669,254
Selling, general and administrative expenses	380,948	449,495
Operating income	132,896	219,758
Non-operating income		
Interest income	160	282
Dividend income	100	180
Income from assets for rent	1,904	3,104
Foreign exchange gains	—	2,868
Share of profit of entities accounted for using equity method	549	1,012
Other	799	1,443
Total non-operating income	3,513	8,891
Non-operating expenses		
Interest expenses	3,395	3,159
Expenses of assets for rent	2,922	15,299
Foreign exchange losses	2,170	—
Bond issuance cost	4,824	—
Other	1,109	787
Total non-operating expenses	14,422	19,246
Ordinary income	121,987	209,403
Extraordinary losses		
Loss on retirement of non-current assets	—	558
Loss on sales of non-current assets	93	—
Total extraordinary losses	93	558
Profit before income taxes	121,893	208,845
Income taxes - current	22,943	47,115
Income taxes - deferred	37,340	25,634
Total income taxes	60,283	72,749
Profit	61,609	136,095
Profit attributable to owners of parent	61,609	136,095

(Quarterly consolidated statements of comprehensive income)
(June 1, 2018 – August 31, 2018)

(Unit: Thousands of yen)

	Three months ended August 31, 2017	Three months ended August 31, 2018
Profit	61,609	136,095
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(567)
Foreign currency translation adjustment	(295)	(12,813)
Share of other comprehensive income of entities accounted for using equity method	(16)	(561)
Total other comprehensive income	(312)	(13,941)
Comprehensive income	61,297	122,153
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	61,297	122,153
Comprehensive income attributable to non-controlling interests	—	—

(3) Note regarding the quarterly consolidated financial statements

(Notes on premise of going concern)
No items to report.

(Notes on significant changes in the amount of shareholders' equity)
No items to report.

(Additional information)
(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 February 16, 2018) was adopted from the beginning of the first quarter. Deferred tax assets are stated under "investments and other assets" and deferred tax liabilities are stated under non-current liabilities.

(Segment information)
[Segment information]
I. For the first quarter of the fiscal year ended May 31, 2018 (June 1, 2017 to August 31, 2017)
1. Information on net sales and the amount of profits (losses) by reportable segment

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	512,275	174,568	369,286	1,056,130
Intra-segment internal sales and transfer amount	—	—	—	—
Total	512,275	174,568	369,286	1,056,130
Segment income (loss)	270,756	16,901	(12,438)	275,219

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

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	275,219
Company-wide expenses(Note)	(141,475)
Adjustment of inventories	(847)
Operating income in the quarterly consolidated statements of income	132,896

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

3. Information on impairment loss for non-current assets or goodwill of each reportable segment
(Significant changes in amount of goodwill)
For the first quarter of the consolidated fiscal year under review, goodwill of 225,100,000 yen has been recorded with respect to the promotion business of Industry 4.0 segment upon having made Tokyo Technical Instruments Inc. and its subsidiary Taiwan Tokyo Technical Instruments Corp. into consolidated subsidiaries of the Company.

II. For first quarter of the fiscal year ending May 31, 2019 (June 1, 2018 to August 31, 2018)

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

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	764,479	216,697	590,335	1,571,513
Intra-segment internal sales and transfer amount	—	—	—	—
Total	764,479	216,697	590,335	1,571,513
Segment income	311,859	8,874	51,624	372,358

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

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	372,358
Company-wide expenses(Note)	(150,834)
Adjustment of inventories	(1,765)
Operating income in the quarterly consolidated statements of income	219,758

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

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

No items to report.

3. Supplementary explanation of consolidated financial results for the first quarter of the fiscal year ending May 31, 2019

(1) Status of orders

1) Orders received

Segment	1Q of the previous consolidated fiscal year (June 1, 2017 to August 31, 2017)		1Q of the current consolidated fiscal year (June 1, 2018 to August 31, 2018)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things related works	1,034,571	959,919	1,781,557	1,635,492	746,985	675,573
Environmental energy related works	475,249	670,587	364,093	492,580	(111,155)	(178,007)
Promotion business of Industry 4.0	331,079	140,258	473,057	170,508	141,977	30,250
Total	1,840,901	1,770,765	2,618,708	2,298,582	777,807	527,816

(Notes) 1. Consumption taxes are not included in the above amounts.

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