September 2, 2019

Company name: INTER ACTION Corporation
Representative: Hideo Kiji, CEO & President
(Securities code 7725, First Section of the Tokyo Stock Exchange)

Financial Results Breifing Session Held for Analysts and Institutional Investors

On July 19, 2019, Inter Action Corporation (the "Company") held its financial results briefing on the fiscal year ended May 31, 2019, for analysts and institutional investors.

(From 17:15 to 18:15 on Friday, July 19, 2019)

1. Summary of full-year financial results for the fiscal year ended May 31, 2019 (Hideo Kiji, CEO & President)
2. Detailed overview of financial results for the year ended May 31, 2019 (Nobuo Kiji, Executive Vice President)
3. Forecast of consolidated financial results for the fiscal year ended May 31,2020 (Nobuo Kiji, Executive Vice President)
4. Business expansion going forward (Nobuo Kiji, Executive Vice President)
5. Initiatives to increase corporate value (Nobuo Kiji, Executive Vice President)
6. Question and answer session

Please refer to the accompanying documents for details covered in the financial results briefing and the question and answer session.

– End –

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INTER ACTION Corporation Fiscal Year Ended May 31, 2019 (27th Business Year)

Financial Results Briefing Session

July 19, 2019 (Fri.)

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    5) Consolidated statement of cash flows
    6) Amount of orders received, net sales, backlog of orders
3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2020 (full year)
4. Business expansion going forward
5. Initiatives to Increase Corporate Value

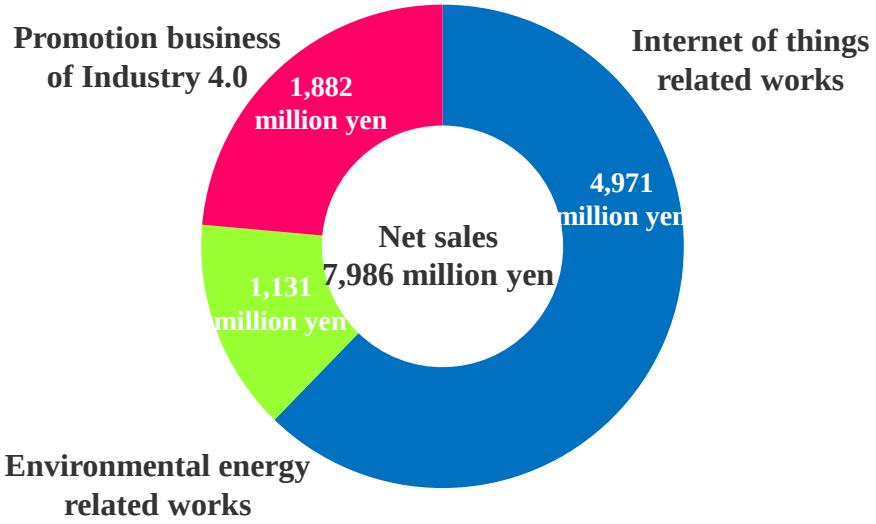
Appendix: Company Profile

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1. Summary of Full-Year Financial Results

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Summary of Full-Year Financial Results



(Millions of yen)	FY2018	**FY2019**	**Change YoY**
Net sales	6,009	**7,986**	**32.9%**
Operating income	1,006	**1,980**	**96.8%**
Ordinary income	988	**1,943**	**96.7%**
Profit attributable to owners of parent	686	**1,386**	**101.9%**
Net income per share	72.58 yen	**141.13 yen**	-
ROE	20.1%	**25.2%**	-
ES	13.3%	**18.4%**	-

- As in the previous fiscal year, sales in the Internet of things related works segment were strong. **Sales and income rose significantly** on a consolidated basis, **reaching record highs**.
- Sales and income declined over the previous year in the Environmental energy related works segment, but remained within the scope of normal volatility observed every fiscal year.
- Sales in the Promotion business of Industry 4.0 segment fell over the previous year, but segment income increased. This was largely because in the previous fiscal year, acquisition costs for a subsidiary (Tokyo Technical Instruments Inc.) were posted as a one-off and in this fiscal year Tokyo Technical's earnings were included for the full year.

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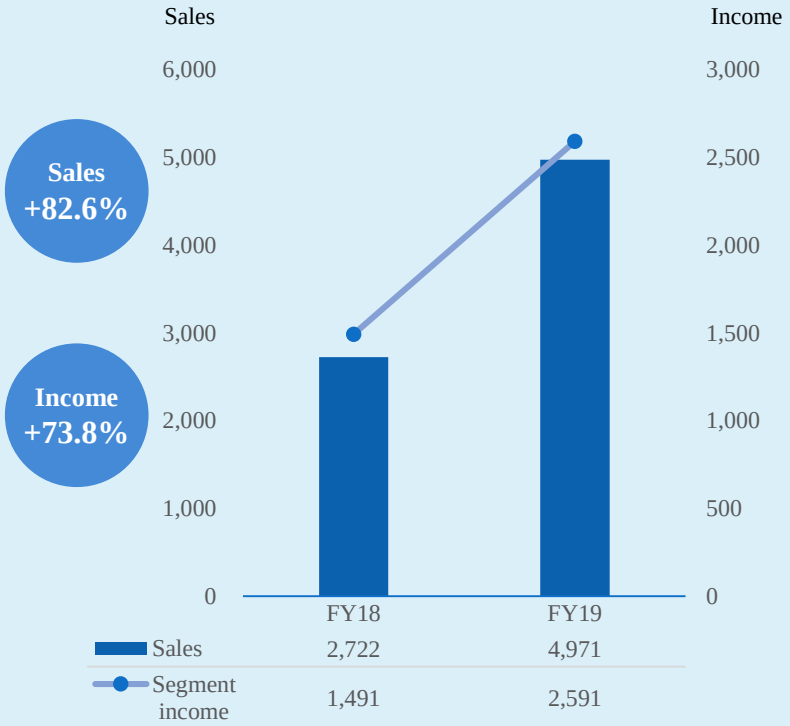
2. Overview of Financial Results for the Fiscal Year Ended May 31, 2019

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1) Internet of Things Related Works

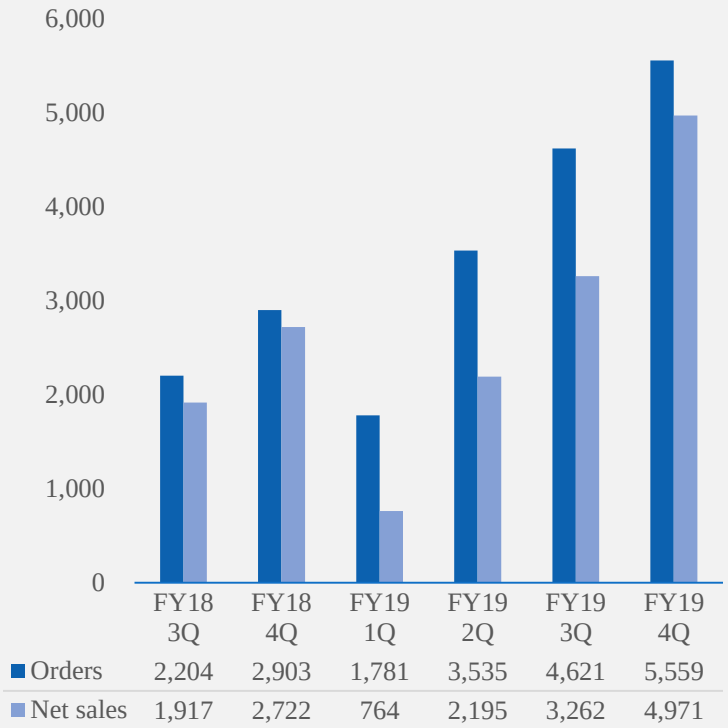
As in the previous fiscal year, we posted strong sales of our inspection illuminators and pupil lens modules for CCD and CMOS image sensors, the Inter Action Group's mainstay products.

Net sales and segment income (YoY)



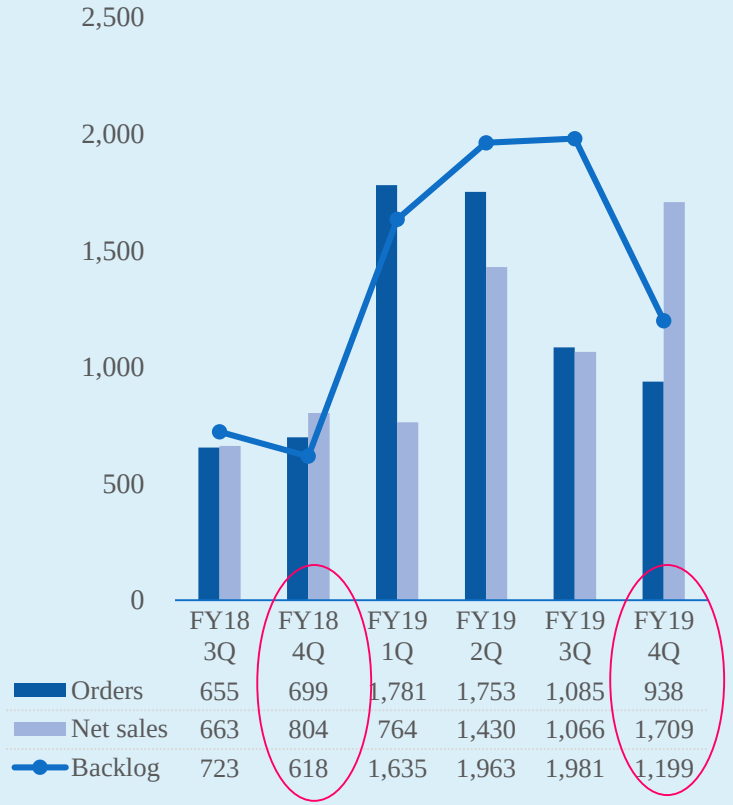
Units: million yen

Amount of orders received and net sales (accumulated)



Units: million yen

Amount of orders received, net sales, backlog of orders (generated)



Units: million yen

*There were no major changes in the totals for merchandise and finished goods or for work in process compared to the end of 3Q.

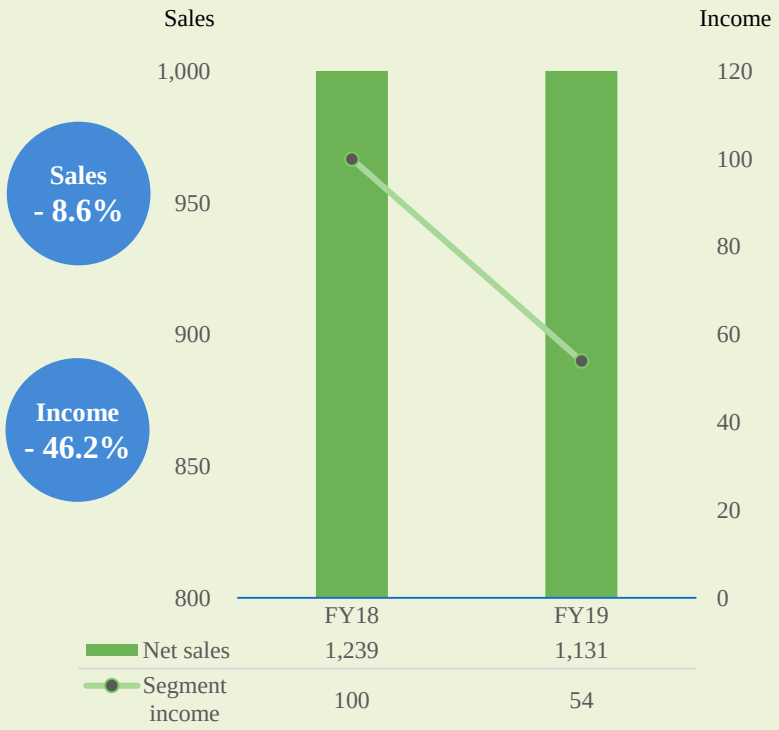
	3Q Fiscal 2019	4Q Fiscal 2019
Merchandise and finished goods	178 million yen	182 million yen
Work in process	922 million yen	873 million yen

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2) Environmental Energy Related Works

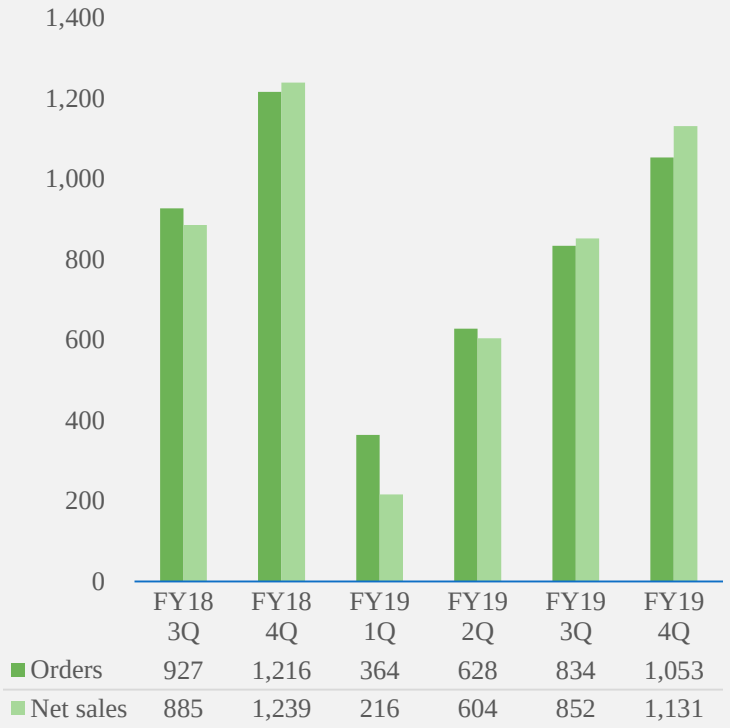
- New investment in the printing machinery industry remains harsh. Demand for replacement of rotary presses differs depending on the fiscal year, and we believe that the decline in sales and income in this fiscal year is within the scope of normal volatility.
- We plan to continue to reliably capture demand for replacement of rotary presses and maintenance demand, while also aggressively expanding overseas.

Net sales and segment income (YoY)



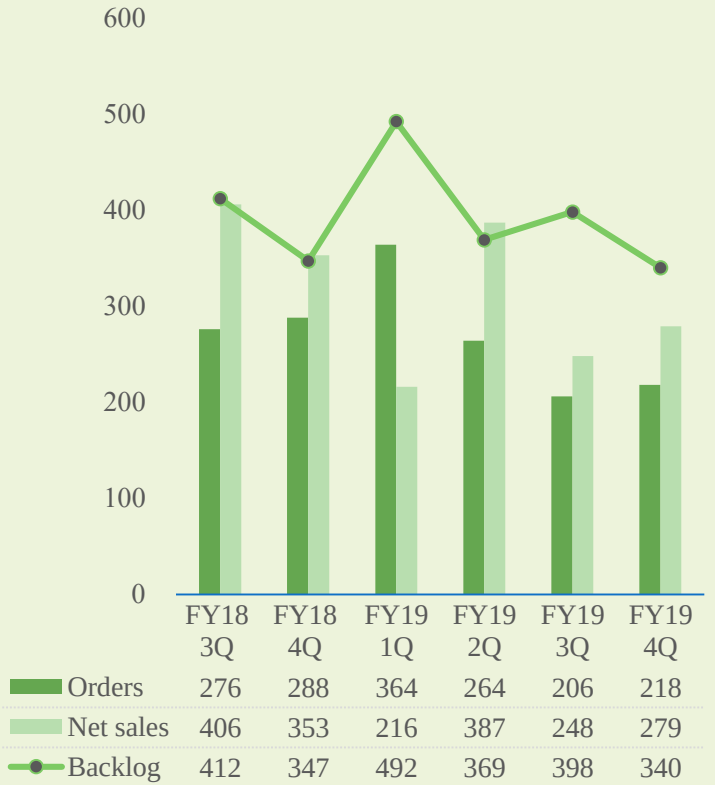
Units: million yen

Amount of orders received and net sales (accumulated)



Units: million yen

Amount of orders received, net sales, backlog of orders (generated)



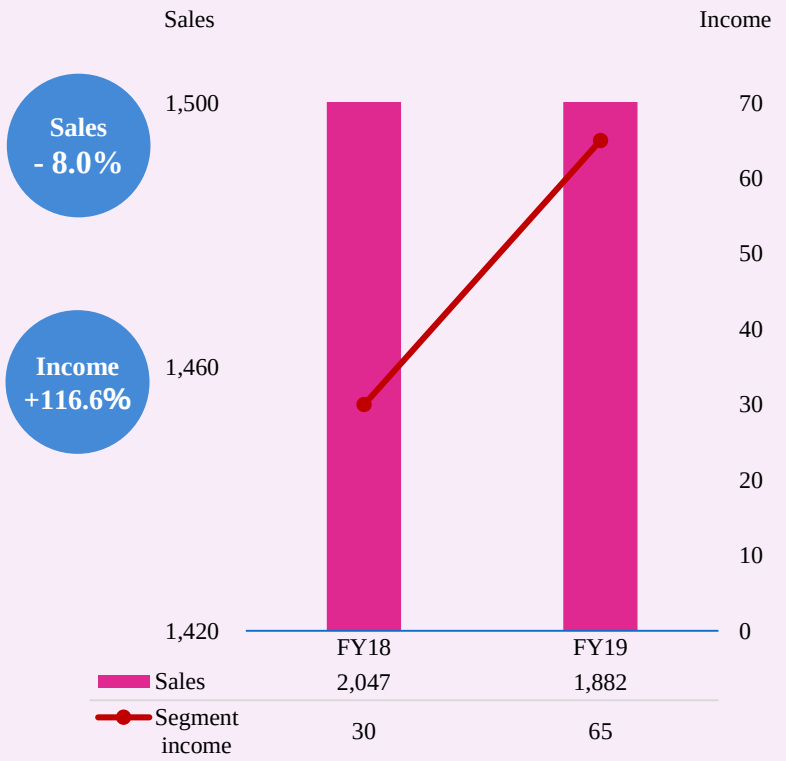
Units: million yen

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3) Promotion Business of Industry 4.0

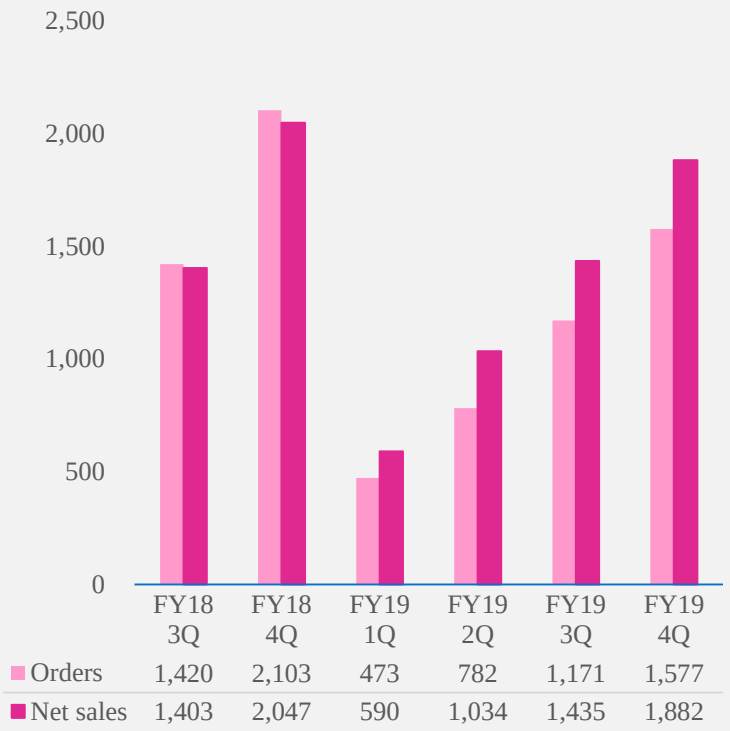
- Domestic demand for precision vibration isolation systems was relatively favorable, but appetite for capital investment among overseas manufacturers remained low throughout the fiscal year, which kept sales low.
- Sales of gear testing systems also showed slow growth due to customers' cautious stance on capital investment decisions due to the worsening relationship between the US and China.
- Segment income exceeded levels in the previous fiscal year due to the posting of costs for the acquisition of Tokyo Technical in the previous fiscal year and the inclusion of Tokyo Technical's earnings for the full year this fiscal year.

Net sales and segment income (YoY)



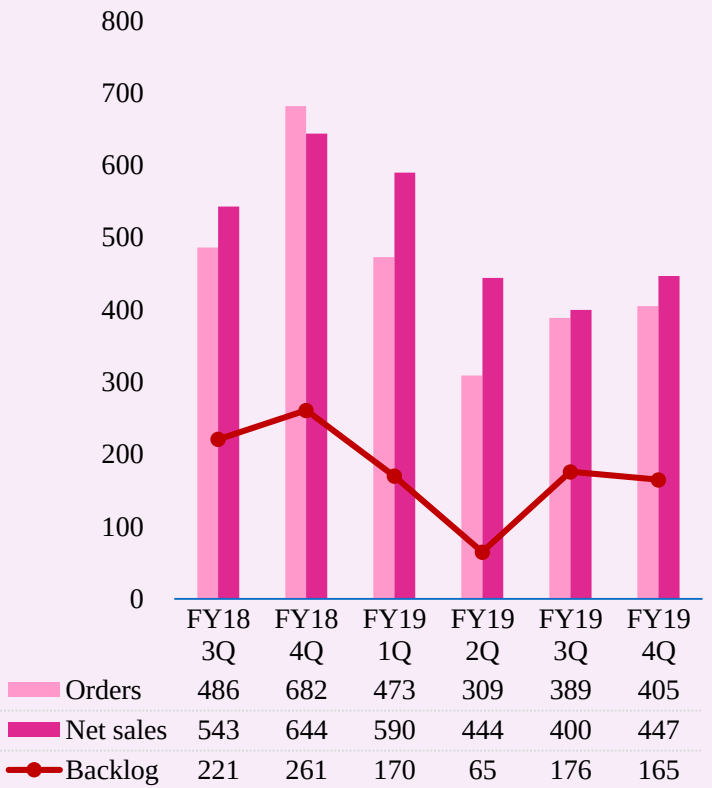
Units: million yen

Amount of orders received and net sales (accumulated)



Units: million yen

Amount of orders received, net sales, backlog of orders (generated)



Units: million yen

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4) Consolidated Balance Sheets and Consolidated Statements of Income

Consolidated balance sheets

(Millions of yen)	Fiscal Year Ended May 31, 2018	**Fiscal Year Ended May 31, 2019**
Assets		
Total assets	6,573	**10,388**
Current assets	5,238	**8,911**
Non-current assets	1,335	**1,477**
Property, plant and equipment	635	**704**
Intangible assets	475	**413**
Investments and other assets	224	**359**
Total assets	6,573	**10,388**

(Millions of yen)	Fiscal Year Ended May 31, 2018	**Fiscal Year Ended May 31, 2019**
Liabilities		
Total liabilities	2,891	**3,082**
Current liabilities	1,871	**2,360**
Non-current liabilities	1,019	**721**
Net assets		
Total net assets	3,682	**7,306**
Shareholders' equity	3,668	**7,316**
Capital stock	610	**1,760**
Capital surplus	1,570	**2,719**
Retained earnings	1,804	**3,065**
Treasury shares	-317	**-228**
Accumulated other comprehensive income	14	**-9**
Total liabilities and net assets	6,573	**10,388**

Consolidated statements of income

(Millions of yen)	FY2018	**FY2019**
Actual		
Net sales	6,009	**7,986**
Cost of sales	3,329	**4,127**
Gross profit	2,679	**3,859**
Selling, general and administrative expenses (Note)	1,673	**1,879**
Operating income	1,006	**1,980**
Ordinary income	988	**1,943**
Extraordinary income	-	**2**
Extraordinary losses	1	**9**
Profit before income taxes	986	**1,936**
Income taxes - current	295	**656**
Income taxes - deferred	4	**-105**
Total income taxes	300	**550**
Profit	686	**1,386**
Profit attributable to owners of parent	686	**1,386**

Note: Major expenses classified as selling, general and administrative expenses

Research and development expenses	109	**106**
Amortization of goodwill	48	**53**

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5) Consolidated Statement of Cash Flows

Cash flows from operating activities

943 million yen

(Millions of yen)	FY2018	FY2019
Profit before income taxes	986	**1,936**
Decrease (increase) in inventories	(110)	**(709)**
Other increase/decrease	(274)	**153**
Subtotal	601	**1,380**
Interest and dividend income received, etc.	(137)	**(437)**
Cash flows from operating activities	463	**943**

Cash flows from financing activities

1,754 million yen

(Millions of yen)	FY2018	FY2019
Net repayments of short-term and long-term loans payable	(251)	**(405)**
Net proceeds (loss) from bonds	225	**(90)**
Cash dividends paid	(114)	**(125)**
Other increase/decrease	—	**2,298**
Cash flows from financing activities	(64)	**76**
(Millions of yen)	(205)	**1,754**

Cash flows from investing activities

(143) million yen

(Millions of yen)	FY2018	FY2019
Net proceeds from time deposits	364	—
Purchases of property, plant and equipment and intangible assets	(95)	**(136)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(426)	—
Proceeds from cancellation of insurance reserve funds	178	—
Other proceeds and payments	4	**(7)**
Cash flows from investing activities	26	**(143)**

Cash and cash equivalents at end of FY2019

4,766 million yen

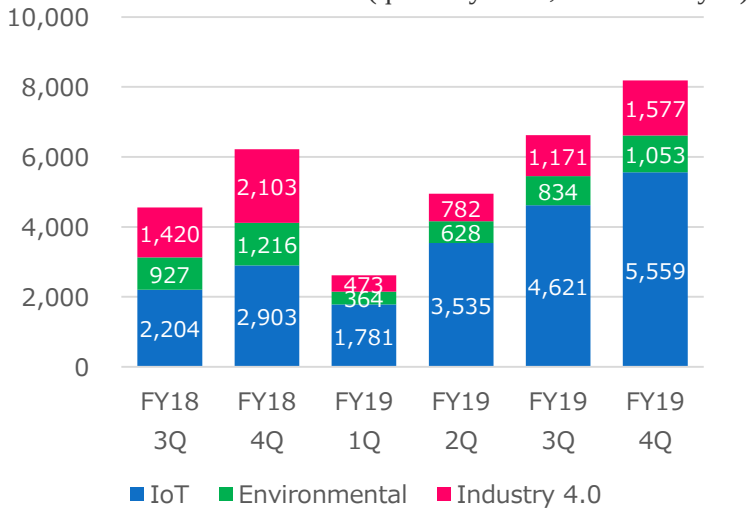
(Millions of yen)	FY2018	FY2019
Effect of exchange rate change on cash and cash equivalents	0	**(8)**
Net increase (decrease) in cash and cash equivalents	285	**2,545**
Cash and cash equivalents at beginning of period	1,935	**2,220**
Cash and cash equivalents at end of period	2,220	**4,766**

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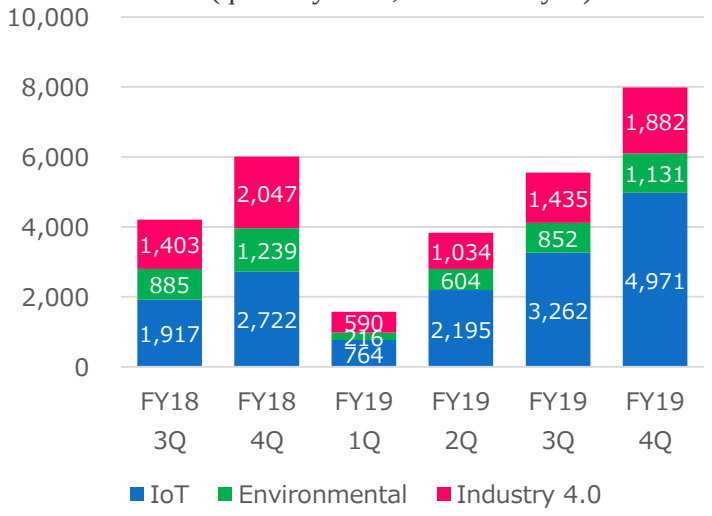
6) Amount of Orders Received, Net Sales, Backlog of Orders

Business segment	Amount of orders received		Net sales		Backlog of orders	
(Millions of yen)	FY2019	Change YoY	FY2019	Change YoY	FY2019	Change YoY
Internet of things related works	5,559	91.5%	4,971	82.6%	1,199	94.0%
Environmental energy related works	1,053	(13.4%)	1,131	(8.6%)	340	(1.8%)
Promotion business of Industry 4.0	1,577	(25.0%)	1,882	(8.0%)	165	(36.7%)
Total	8,190	31.6%	7,986	32.9%	1,706	39.0%

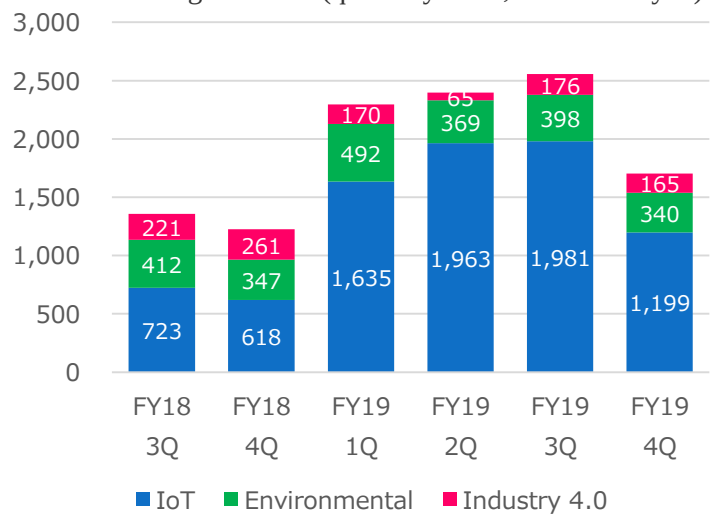
Amount of orders received (quarterly basis; millions of yen)



Net sales (quarterly basis; millions of yen)



Backlog of orders (quarterly basis; millions of yen)

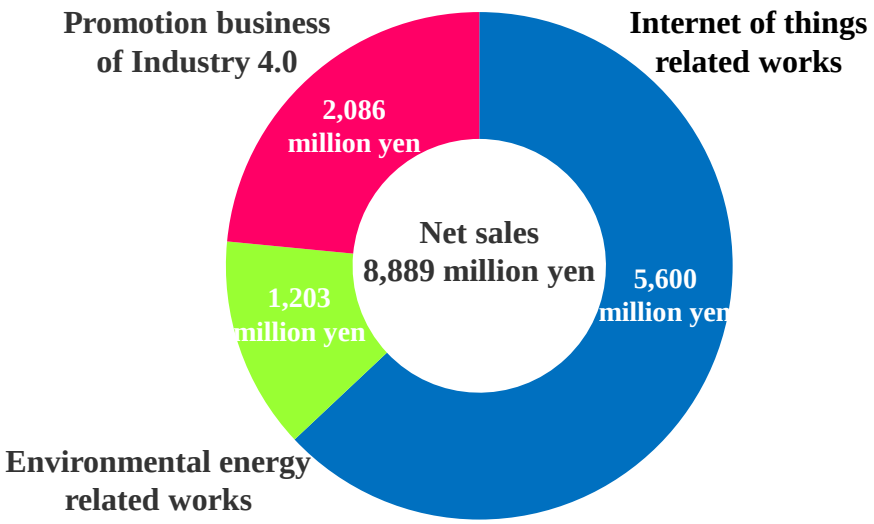


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3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2020 (full year)

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Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2020 (full year)



(Millions of yen)	Fiscal Year Ended May 31, 2019	**Fiscal Year Ending May 31, 2020**	**Change YoY**
Net sales	7,986	**8,889**	**11.3%**
Operating income	1,980	**2,122**	**7.2%**
Ordinary income	1,943	**2,109**	**8.5%**
Profit attributable to owners of parent	1,386	**1,395**	**0.7%**
Net income per share	141.13 yen	**126.33 yen**	

【Internet of things related works: 5,600 million yen in sales (up 12.6% over the previous year)】
We expect demand for image sensors, primarily brought about by a shift to multiple lenses in smartphone cameras, to continue to heighten. We will reinforce sales of the pupil lens modules. We think that there is a possibility that demand for illuminators for ToF sensors, illuminators for image sensors for vehicles, and LiDAR measuring equipment for vehicles will also gradually rise.

【Environmental energy related works: 1,203 million yen in sales (up 6.3% over the previous year)】
We expect new capital investment in Japan to remain sluggish. We will steadily tap demand for upgrades and maintenance resulting from the degradation of printing presses, and will also strengthen overseas sales of exhaust gas treatment systems for the Chinese market.

【Promotion business of Industry 4.0: 2,086 million yen in sales (up 10.8% over the previous year)】
While sales of precision vibration isolation systems are likely to remain subdued, we expect sales of gear testing systems to be firm due to our redoubled efforts to strengthen overseas sales. In addition, we will aggressively tackle our new business related to FA (factory automation) image processing with the aim of achieving commercial viability at an early stage.

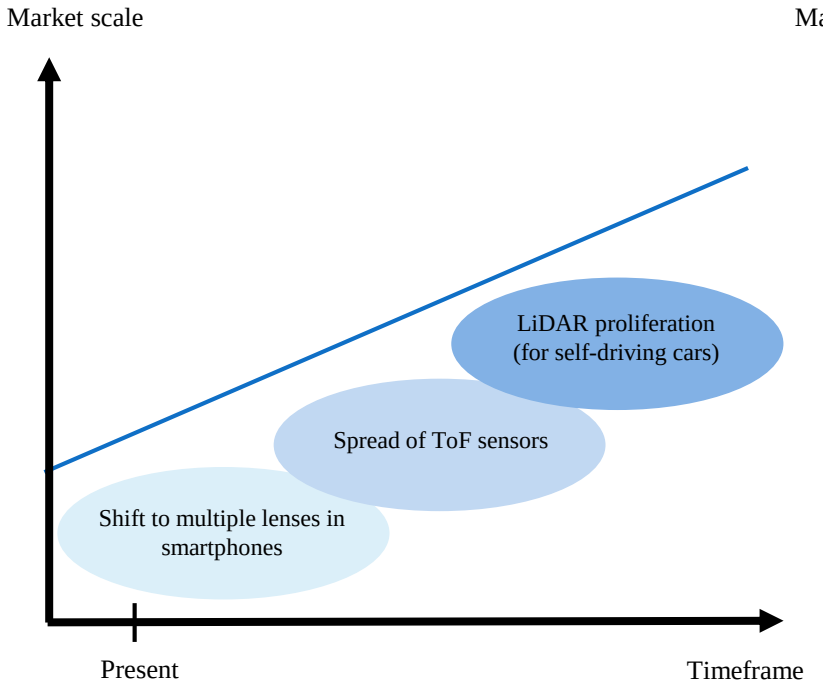
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4. Business expansion going forward

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Expansion in related markets

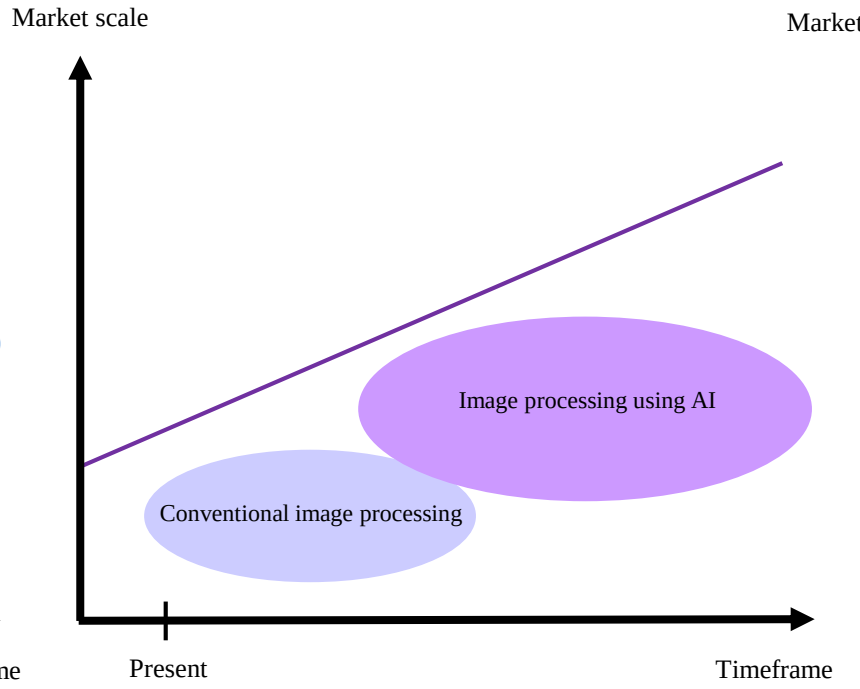
＜Image sensor-related markets＞



【Primary factors behind expansion】
・Higher demand for image sensors due to multiple lenses in smartphones
・Spread of ToF sensors due to installation in smartphones
・Spread of LiDAR for automated operation

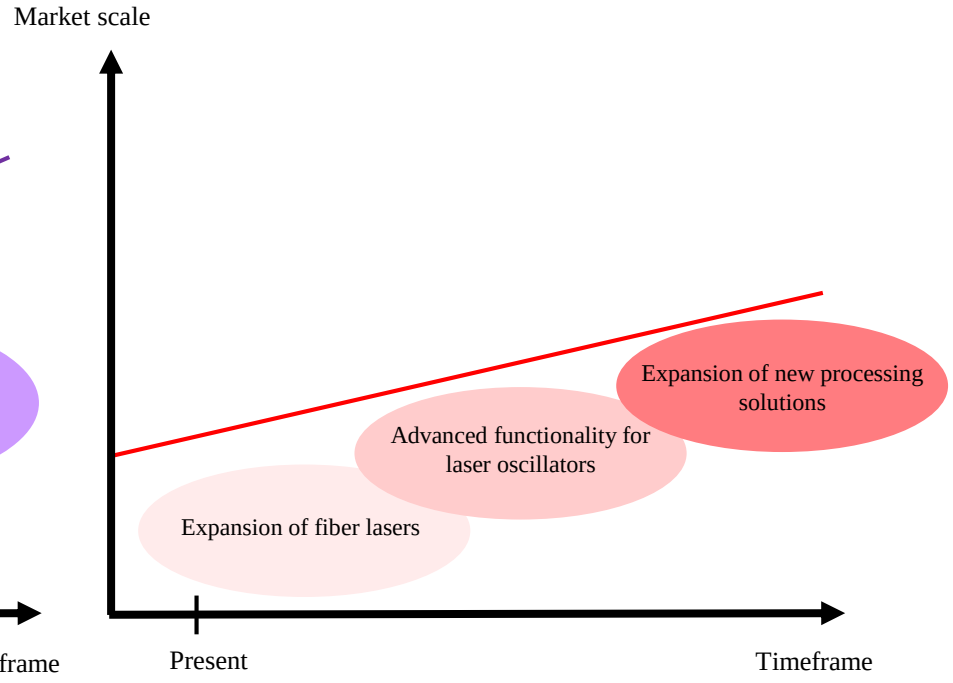
*ToF：Time of Flight
*LiDAR：Light Detection and Ranging

＜Image processing systems for FA＞



【Primary factors behind expansion】
・Global increase in FA demand
・Greater attention to combination of image processing and AI
Manufacturing area: Industrial robotics
2015: 112.9 billion yen
2020: 2,965.8 billion yen
2030: 12,175.2 billion yen

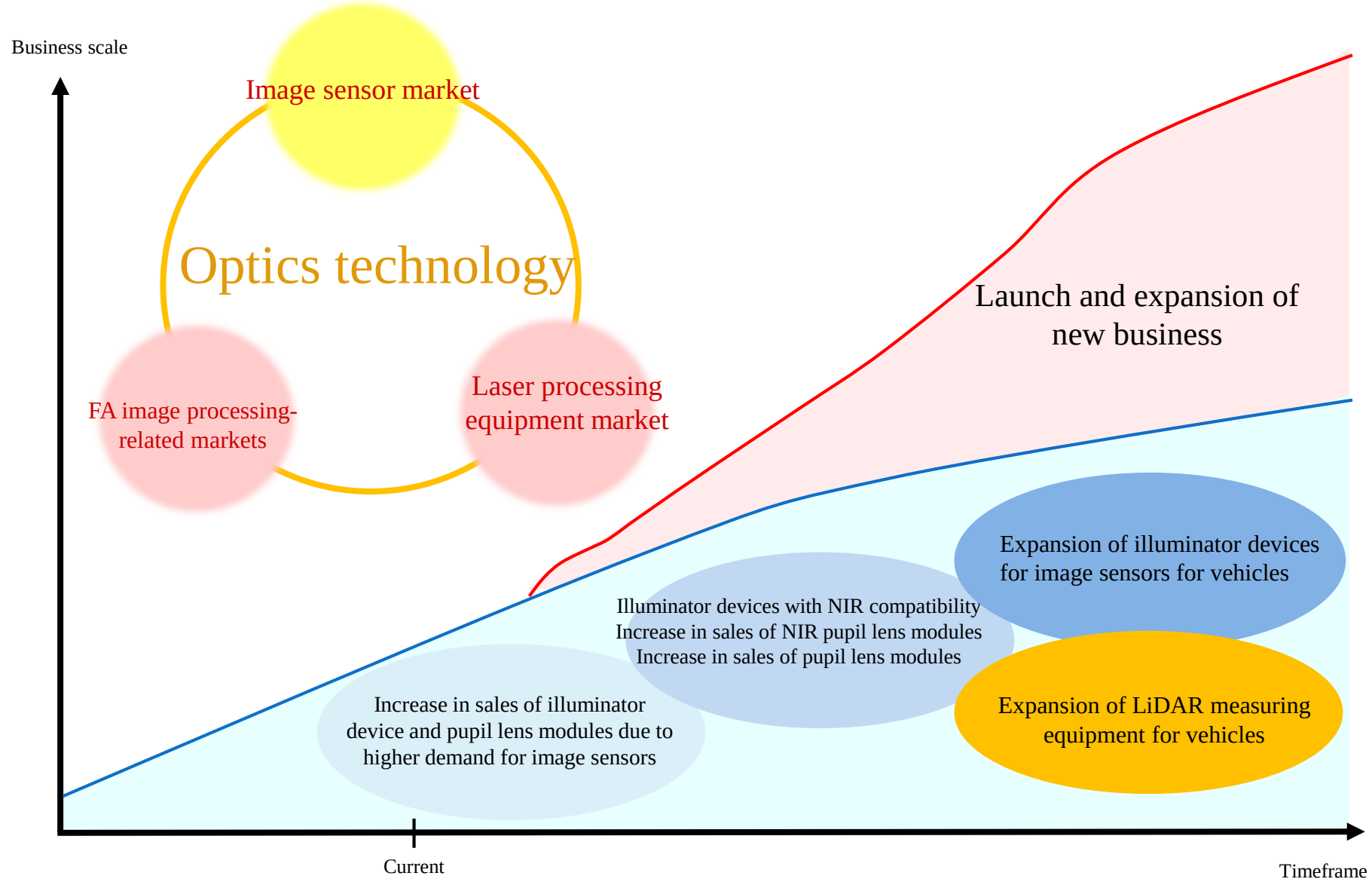
＜Laser illuminators and oscillator related＞



【Primary factors behind expansion】
・Expansion of markets related to processing of fiber laser materials

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Expansion of scope of business for Interaction Group



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Progress with new businesses

	Formulation and launch of business concepts	Establishment of elemental technology	Consideration of potential for developing as device	Production of prototypes	Commercialization
FA image processing related					
Laser processing equipment related					

【FA image processing related 】
・Development of FA image processing system for customers of subsidiary Tokyo Technical (gear testing machines)
・Conventional image processing (without AI) is clear.
・Elemental technology for image processing using AI is under development. We are currently attempting to detect it in the number of samples.

【Laser processing equipment related 】
・Currently enhancing the accuracy of the business concept
・Currently developing a business model utilizing the benefits of competition over improved functionality for oscillators

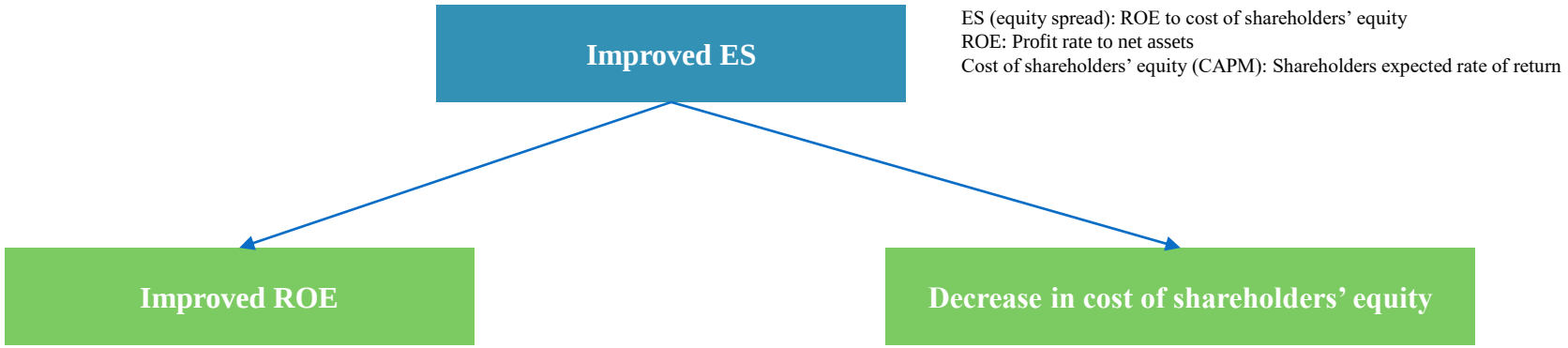
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5. Initiatives to improve corporate value

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Initiatives to raise corporate value

- Fiscal year ended in May 2018: ROE: 20.1%　Fiscal year ended in May 2019: ROE: 25.2%　Cost of shareholders' equity: 6.8%
- Fiscal year ended in May 2018: ES: 13.3%; Fiscal year ended in May 2019: ES: 18.4%



- Initiatives to raise ROE -

Strengthening of financial foundation for future investment

Acquisition of treasury stock

Expanded sales of illuminator devices, pupil lens modules

Development of NIR illuminator device, NIR pupil lens module, LiDAR measuring equipment

Start of new business

- Factors suppressing cost of shareholders' equity -

Briefings and IR meetings held for institutional investors

Corporate briefings held for individual investors

Proactive disclosure of IR information on company website

Provision of English-language tools
・Company information
・Financial earnings reports

Increase of dividends

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Notes

This document contains forward-looking statements particularly regarding Inter Action's future performance. The Inter Action Group has formed its outlook encompassing potential risks and uncertainties based on information available at the time of disclosure. Accordingly, please be advised that actual financial results may vary substantially from the forecasts presented, given that they are subject to economic circumstances surrounding areas of business going forward, market trends, and other such factors.

Whereas every effort has been taken to ensure the accuracy and completeness of the provided in this document, we make no guarantee in that regard. Furthermore, please be advised that the information in this document is subject to revision or retraction without prior notice.

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Appendix: Company Profile

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Company Profile

Trade name:	**INTER ACTION Corporation**
Established:	**June 25, 1992**
Representative:	**Hideo Kiji, CEO & President**
Capital stock:	**1,760 million yen**
Employees:	**145 (Group-wide as of May 31, 2019)**
Head office:	**Yokohama Kanazawa High-Tech Center 14F 1-1 Fukuura, Kanazawa-ku Yokohama-shi, Kanagawa Tel: +81-45-788-8373 Fax: +81-45-788-8371**
Offices:	**Naka-ku, Yokohama-shi; Chuo-ku, Chiba-shi; Koshi-shi, Kumamoto**

Listed on:	**Tokyo Stock Exchange, First Section**
Securities code:	**7725**
Fiscal year:	**June 1 to May 31**
URL	**http://www.inter-action.co.jp**
Group companies:	**Air Gases Technos Co., Ltd. Meiritz Seiki Co., Ltd. Tokyo Technical Instruments Inc. Xian INTER ACTION Solar Technology Corporation Shaanxi Chaoyangyitong Precision Device Co., Ltd. MEIRITZ KOREA Co., Ltd. Taiwan Tokyo Technical Instruments Corp. TOKYO TECHNICAL INSTRUMENTS (SHANGHAI) CO., LTD**

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Strategy

Key benchmarks	Equity spread ROE Weighted average cost of capital (WACC)
Dividend policy	Total return ratio of 30%
M&A strategy	Focus on fields of growth and potential growth. Focus on fields where we can pursue business development by leveraging technologies and expertise built up thus far. Achieve positive net present value calculated on the basis of estimated cash flows for five years using WACC as the discount rate.

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E-mail Alert Service

Receive various forms of information about the Inter Action Group via e-mail.

Link to the Inter Action website “E-mail alert service” page (in Japanese)
http://www.inter-action.co.jp/ir/ir_mail/
You may also register for the service using the QR code below.

Information you provide to us will be used solely for operating the IR e-mail alert service.
Refer to the “Privacy Policy” posted to the Inter Action website for further information on our handling of personal information (in Japanese).
http://www.inter-action.co.jp/privacy/

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http://www.inter-action.co.jp/inquiry/
Please contact us through the Inquiries page of the Inter Action website (in Japanese).



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July 19, 2019

Q&As (Excerpt)

Q1: With respect to your operating income forecast for the 28th business year (fiscal year ending May 31, 2020) in the Internet of things related works, your profitability outlook seems conservative in view of your financial results in the 27th business year (fiscal year ended May 31, 2019). On what grounds did you make that forecast? Could you also go over your plans for overseas expansion, during the current fiscal year, involving illuminators and pupil lens modules in the Internet of things related works?

A1: The profit forecast figures for the 28th business year accounted for negative factors to a certain degree. As for overseas expansion involving the Internet of things related works, illuminators are likely to generate solid sales in that regard. Meanwhile, sales of pupil lens modules are likely to achieve growth in the 28th business year given that our customers gained a better understanding of their performance during the 27th business year.

Q2: For the 28th business year, you forecast sales generated by the Internet of things related works of 5.6 billion yen. How does that break down in terms of domestic and overseas sales? Also, please describe the large amount of orders received that were disclosed the other day (July 16).

A2: We anticipate strong appetite for capital investment in Japan, and expect it to be even stronger overseas. Meanwhile, we are unable to furnish any specifics regarding large orders at this time. I appreciate your understanding in that regard.

Q3: How do your results look in terms of orders received over the 28th business year? Also, it seems that you are already on the verge of achieving your target level of operating income to net sales cited in the medium-term business plan. Given that, do you plan to re-issue the medium-term business plan?

A3: We expect to achieve firm results in the 28th business year, in comparison with those of the 27th business year, given that our business environment looks to be strong. Although we aim to achieve the quantitative targets set forth in our medium-term business plan, we are currently placing emphasis on our efforts toward achieving those targets rather than on the quantitative results themselves. If we fail to achieve the targets, we will consider options that involve building a business platform sufficient for

us to continue those efforts.

Q4: What is the status of the Olasonic audio B-to-C business?

A4: Although the impact of this business on our financial results is minimal, our business units are making concerted efforts in that regard.

Q5: Could you go over the 27th business year results and the 28th business year forecasts with respect to your inspection equipment for time of flight (ToF) sensors? Also, what is your monthly capacity for the production of pupil lens modules?

A5: We reckon that sales of inspection equipment for ToF sensors will be more brisk during the 28th business year than was the case in the 27th business year. As for our pupil lens module production capacity, we will be able to ramp up production given that we have completed expansion of our cleanroom facilities and are also increasing our workforce.
