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July 12, 2021

Consolidated Financial Results for the Fiscal Year Ended May 31, 2021 <Japanese GAAP>

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 Listed stock exchange: Tokyo
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 Planned Date of General Shareholders' Meeting: August 25, 2021
 Planned Commencement Date of Dividend Payments: August 26, 2021
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 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, 2021 (June 1, 2020 to May 31, 2021)

(1) Consolidated operating results

(% 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	%
For the fiscal year ended								
May 31, 2021	6,627	(6.4)	1,751	12.6	1,748	13.1	1,159	15.4
May 31, 2020	7,083	(11.3)	1,555	(21.4)	1,545	(20.5)	1,004	(27.5)

(Note) Comprehensive income: the fiscal year ended May 31, 2021: ¥1,185 million / 21.1%
 the fiscal year ended May 31, 2020: ¥978 million / (28.2)%

	Profit per share	Profit per share—diluted	Profit to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
May 31, 2021	105.61	—	13.7	16.2	26.4
May 31, 2020	91.94	—	13.2	15.2	22.0

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2021: (¥1 million)
 the fiscal year ended May 31, 2020: (¥2 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, 2021	11,564	9,038	78.2	821.96
As of May 31, 2020	10,005	7,872	78.7	720.15

(Reference) Shareholders' equity: As of May 31, 2021: ¥9,038 million
 As of May 31, 2020: ¥7,872 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, 2021	2,369	(86)	28	7,211
May 31, 2020	1,164	(276)	(758)	4,873

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, 2020	—	0.00	—	18.00	18.00	202	19.6	2.6
May 31, 2021	—	0.00	—	20.00	20.00	225	18.9	2.6
For the fiscal year ending May 31, 2022 (Forecast)	—	0.00	—	20.00	20.00		18.5	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2022 (June 1, 2021 to May 31, 2022)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,803	2.6	1,871	6.8	1,806	3.3	1,189	2.6	108.14

(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: None

(ii) Changes in accounting policies other than item (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

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

As of May 31, 2021	11,510,200 shares
As of May 31, 2020	11,510,200 shares

(ii) Number of treasury shares at end of period

As of May 31, 2021	514,513 shares
As of May 31, 2020	577,783 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2021	10,976,608 shares
Fiscal year ended May 31, 2020	10,927,129 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, 2021 (June 1, 2020 to May 31, 2021)

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
May 31, 2021	4,574	(5.3)	1,779	23.3	1,818	10.3	1,263	12.6
May 31, 2020	4,832	(7.7)	1,443	(18.4)	1,648	(17.0)	1,121	(25.3)

	Profit per share	Profit per share—diluted
	Yen	Yen
For the fiscal year ended		
May 31, 2021	115.08	—
May 31, 2020	102.63	—

(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, 2021	10,402	8,961	86.1	815.00
As of May 31, 2020	8,956	7,718	86.2	706.02

(Reference) Shareholders' equity: As of May 31, 2021: ¥8,961 million
As of May 31, 2020: ¥7,718 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 6) of the Attached Materials.

[Attached Materials]

Index

1. Overview of Operating Results.....	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review	5
(3) Overview of cash flows for the fiscal year under review	5
(4) Forecasts	6
2. Basic Policy on the Selection of Accounting Standards	7
3. Consolidated Financial Statements and Notes	8
(1) Consolidated balance sheets	8
(2) Consolidated statements of income and consolidated statements of comprehensive income	10
(Consolidated statements of income)	10
(Consolidated statements of comprehensive income)	11
(3) Consolidated statement of changes in shareholders' equity	12
(4) Consolidated statement of cash flows	14
(5) Note regarding the consolidated financial statements	15
(Notes on premise of going concern)	15
(Additional information)	15
(Segment information)	15
(Information per share)	17
(Significant subsequent events)	17
4. Supplementary explanation of consolidated financial results for the fiscal year ended May 31, 2021 ...	18
(1) Status of production, orders and sales	18

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

The Inter Action Group conducts business in three segments: Internet of things related works; environmental energy related works; and promotion business of Industry 4.0. The business environment in each segment is as described below.

In the Internet of things related works segment, we manufacture inspection illuminators and pupil lens modules used for quality inspections in the image sensor production process and sell them to image sensor manufacturers.

The market for image sensors tends to hinge on the smartphone market since smartphones account for about 60-70% of image sensor applications. Although smartphone shipment volumes declined in the first half mainly because the spread of the COVID-19 pandemic depressed consumer spending, shipment began to recover in the second half. However, a shortage of semiconductors and other parts could constrain smartphone production volume going forward.

The increasing number of image sensors (cameras) installed per smartphone and the growing popularity of smartphones equipped with multiple image sensors (cameras) in recent years means that image sensor manufacturers will probably need to continue increasing production capacity.

In the short-term, demand remains focused on conventional image sensors that capture visible light in order to take photos and videos.

Regarding demand over the medium to long term, the use of image sensors for ToF (time of flight) sensors and LiDAR (light detection and ranging) sensors in smartphones to capture three-dimensional information such as the distance between objects is becoming widespread, and we believe the development of various applications for such technology is likely to drive an increase in demand.

Over the long term, demand is expected to increase for image sensors that can capture three-dimensional information needed for self-driving vehicles and for industrial applications (machine-vision, surveillance cameras, etc.).

In the environmental energy related works segment, we manufacture and sell drying deodorizers used together with rotary presses (commercial printing presses) for large-volume printing and exhaust gas treatment systems for factories.

In the printing machinery industry, although new capital investment is diminishing due to the growing prevalence of information technologies, a certain number of rotary presses are replaced every year due to age-related degradation, and there is also demand for periodic maintenance. As there is minimal competition, the Inter Action Group is able to stably accommodate this demand at present. However, the COVID-19 pandemic has continued to slow progress in new and large-scale projects and has depressed appetite for capital investment among customers.

In the promotion business of Industry 4.0 segment, we mainly manufacture precision vibration isolation systems for removing vibrations that are a hindrance in the production process for displays and sell the systems to display manufacturers. We also manufacture testing systems for investigating whether gears are of the shape designed and sell them to gear manufacturers. In addition, as a new business for the Group, we are actively working to commercialize FA (factory automation) image processing and laser processing equipment-related businesses.

In the current flat panel and OLED display industries, appetite for investment has been sluggish among overseas customers in particular due to the impact of the COVID-19 pandemic, and the outlook remains uncertain.

Moreover, the gear testing systems market has essentially conformed to conditions of the machine tools market and is susceptible to economic fluctuations. Market conditions temporarily fell to an extent exceeding the global financial crisis due to the COVID-19 pandemic, but there have been signs of a gradual recovery centered on domestic auto manufacturers and in overseas (emerging country) industries.

In our new business related to FA image processing, we have developed and commercialized a gear inspection device that can automatically detect defective products based on images taken of small scratches that occur during the manufacturing process of metal gears. We began selling it through our subsidiary Tokyo Technical Instruments in November 2020, and have received orders and numerous inquiries. In the future, with the

intention of completely automating gear inspections, we will introduce robots that pick up gears through to inspection systems, and continue to expand product sales while investigating use in applications outside the gear field.

As for the laser processing machines-related business, which is also a new business, in the field of micromachining using lasers, we have proposed short-pulse laser ablation technology (processing that reduces thermal damage to materials by irradiating light for short periods of time) to businesses involved in ceramic processing, and have received inquiries from multiple companies. We therefore anticipate a high degree of usability in ablation processing for ceramics and other hard-to-process materials. In addition, we plan to conduct tests with a view to applying semiconductor manufacturing to a range of processing applications.

As a result, the Inter Action Group's financial results for the consolidated fiscal year under review were as follows. Net sales declined by 6.4% to 6,627 million yen (in comparison with 7,083 million yen in the previous fiscal year); gross profit fell by 0.8% to 3,443 million yen largely due to the decline in net sales (in comparison with 3,471 million yen in the previous fiscal year); operating income rose by 12.6% to 1,751 million yen due to the decline in selling, general and administrative expenses (in comparison with 1,555 million yen in the previous fiscal year); ordinary income rose by 13.1% to 1,748 million yen (in comparison with 1,545 million yen in the previous fiscal year); and final profit attributable to owners of parent increased by 15.4% to 1,159 million yen (in comparison with 1,004 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, 2021	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,306	2,073	1,728	1,519	6,627
Operating income	196	681	513	359	1,751
Ordinary income	195	686	525	340	1,748
Profit attributable to owners of parent	145	441	346	226	1,159

Moreover, with respect to the Company's non-consolidated financial results, net sales in the Internet of things related works fell by 3.0% to 4,505 million yen (in comparison with 4,642 million yen in the previous fiscal year). Net sales in the environmental energy related works were 3 million yen (0 million yen in the previous fiscal year), and net sales in the promotion business of Industry 4.0 fell by 65.3% to 65 million yen (in comparison with 189 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 fell by 5.3% to 4,574 million yen (in comparison with 4,832 million yen in the previous fiscal year); operating income rose by 23.3% to 1,779 million yen (in comparison with 1,443 million yen in the previous fiscal year); ordinary income rose by 10.3% to 1,818 million yen (in comparison with 1,648 million yen in the previous fiscal year); and final profit fell by 12.6% to 1,263 million yen (in comparison with 1,121 million yen in the previous fiscal year).

2) Business conditions by segment

(Internet of things related works)

For the segment overall, capital investment trends at image sensor manufacturers in Japan and overseas differed against a backdrop of social conditions framed mainly by trade friction between the US and China. Although Japanese customers' demand for inspection illuminators was sluggish, sales of these and other products for overseas customers were strong, and sales decreased and profits increased year on year.

Regarding the status of sales of inspection illuminators to Japanese customers, both sales and orders were subdued in the first half because domestic customers maintained a cautious stance toward investment decisions as trade friction between the US and China had clouded the outlook for trends at smartphone manufacturers, their main business partners. Orders for inspection illuminators increased in the second half amid a gradual recovery in investment appetite among customers, who began resuming moves to engage in new capital investment.

Meanwhile, sales of pupil lens modules to Japanese customers reached a record high, enjoying strong demand over the full year. We estimate demand was higher than expected particularly in the second half due to a revision of sales strategies by customers and other factors.

Regarding the status of sales of inspection illuminators to overseas customers, both sales and orders were upbeat over the full year, with sales reaching a record high as customers continued to strengthen production capacity even during the pandemic.

While we saw some progress toward the full-scale introduction of pupil lens modules at major overseas customers, we will continue to verify the situation with our customers.

We also received fresh orders for pupil lens modules from new customers in China. Although verifications by the customers seem to be progressing smoothly, we believe it will take years before a system is in place for domestic production of image sensors in China.

We plan to work on measures aimed at cultivating new customers in order to expand our product sales.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 3.0% to 4,505 million yen (in comparison with 4,642 million yen in the previous fiscal year), and segment income increased by 9.8% to 2,536 million yen (in comparison with 2,310 million yen in the previous fiscal year).

(Environmental energy related works)

We focused on maintenance work and large-scale repair work related to facility relocation, and the full-year sales and profits increased year on year.

However, orders and the backlog of orders decreased year on year, which seems to reflect sluggish advertising demand due to the pandemic and a reluctance among customers to make new capital investments in printing press-related drying deodorizers.

While capital investment among customers remained subdued, we worked on developing a failure prediction system that uses acoustic emission sensors (sensors that detect sound and vibration waves).

Drying deodorizers are still facing a lingering impact from the pandemic, but customer demand for renewing existing equipment appears to be gradually recovering.

As we expect demand for new capital investment in related industries to remain severe, we will continue to focus on upgrading existing facilities and maintenance work, which has a low investment hurdle for customers.

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 1.3% to 824 million yen (in comparison with 813 million yen in the previous fiscal year), and the segment recorded a profit of 32 million yen (in comparison with loss of 6 million yen in the previous fiscal year).

(Promotion business of Industry 4.0)

Sales and profit declined year on year for the segment as a whole because the pandemic depressed conditions across all industries over the full year. With customers reluctant to invest, we focused on the improvement of existing products and the development of new products aimed at growth over the medium to long term.

In precision vibration isolation systems, sales and orders declined year on year. In the fourth quarter, sales of some products in Japan were buoyant, but overseas customers continued to push back capital investment, making it difficult to secure overall sales. We plan to strengthen our overseas sales structure in order to increase sales and orders from overseas customers in particular.

Meanwhile, we made smooth progress in developing new products and improving the performance of existing products, and continued to push forward with the creation of a medium- to long-term technology platform.

In gear testing systems, gear demand for automotive and industrial robot applications increased in the fourth quarter, both in Japan and overseas, and market conditions showed a recovery trend. However, over the full year, sales and orders declined year on year as the pandemic depressed customer appetite for capital investment and resulted in restraints on sales activities for overseas and other customers.

Regarding the new FA image processing systems business, we secured initial orders and have had further inquiries from several companies. We will continue to focus on growing sales of new products and improving the competitiveness of existing products.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 20.2% to 1,298 million yen (in comparison with 1,627 million yen in the previous fiscal year), and segment

loss was 74 million yen (in comparison with a profit of 96 million yen in the previous fiscal year).

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

As of the end of the consolidated fiscal year under review (May 31, 2021), total assets amounted to 11,564 million yen, up 1,558 million yen compared to the amount held at the end of the previous consolidated fiscal year on May 31, 2020.

Current assets amounted to 10,146 million yen, an increase of 1,571 million yen over the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in cash and deposits, up by 2,317 million yen, and electronically recorded monetary claims – operating, up by 264 million yen, despite a 935 million yen decrease in notes and accounts receivable – trade.

Non-current assets amounted to 1,418 million yen, a decrease of 12 million yen in comparison to the end of the previous consolidated fiscal year.

As of the end of the consolidated fiscal year under review (May 31, 2021), liabilities amounted to 2,526 million yen, which is an increase of 393 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in income taxes payable, up by 343 million yen, and bonds and borrowings including the current portions thereof, up by 232 million yen, despite a 96 million yen decrease in notes and accounts payable – trade.

As of the end of the consolidated fiscal year under review (May 31, 2021), net assets amounted to 9,038 million yen, which is an increase of 1,165 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to having recorded profit attributable to owners of parent of 1,159 million yen and a net decrease of 182 million yen in treasury shares, despite year-end dividends in the previous fiscal year of 202 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 7,211 million yen, which is an increase of 2,337 million yen in comparison to 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 2,369 million yen (in comparison with net cash provided by operating activities of 1,164 million yen in the previous fiscal year). This is mainly a result of having recorded 1,740 million yen in profit before income taxes, depreciation of 141 million yen, and a decrease of 740 million yen in notes and accounts receivable – trade, despite a decrease of 112 million yen in trade payables and 305 million yen in income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities during the consolidated fiscal year under review amounted to 86 million yen (in comparison with net cash used in investing activities of 276 million yen in the previous fiscal year). This is mainly a result of having recorded 106 million yen in purchases of property, plant and equipment assets.

(Cash flow from financing activities)

Net cash provided in financing activities during the consolidated fiscal year under review amounted to 28 million yen (in comparison with net cash used in financing activities of 758 million yen in the previous fiscal year). This is mainly a result of having recorded 292 million yen in net revenue of short-and long-term borrowings, despite 202 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2019	For the fiscal year ended May 31, 2020	For the fiscal year ended May 31, 2021
Shareholders' equity ratio (%)	70.3	78.7	78.2
Shareholders' equity ratio at market value (%)	149.2	254.1	232.2
Debt repayment period (years)	1.1	0.7	0.4
Interest coverage ratio (times)	72.3	122.9	252.7

(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

During the next consolidated fiscal year (fiscal year ending May 31, 2022), the uncertain economic environment is likely to persist amid the adverse effects of factors that include Sino-American trade friction and the spreading of COVID-19 variants.

Under these circumstances, we believe that the Internet of things related works segment will act as a primary driver of the Inter Action Group's operating results going forward, following on from the consolidated fiscal year under review. Regarding environmental energy related works and promotion business of industry 4.0, we are focused on improving the performance of existing products and on new businesses to realize medium- to long-term growth.

Specific financial results forecasts for the fiscal year ending May 31, 2022, are as follows:

	For the fiscal year ended May 31, 2021 (Actual)	For the fiscal year ending May 31, 2022 (Forecast)	Year-on-year rate (%)
Net sales	6,627	6,803	2.6
Operating income	1,751	1,871	6.8
Ordinary income	1,748	1,806	3.3
Profit attributable to owners of parent	1,159	1,189	2.6

(Millions of yen)

2) Business outlook by segment

[1] Internet of things related works

We expect appetite for capital investment among Japanese customers to grow year on year and net sales of our products to remain firm.

However, we delivered an exceptionally large number of inspection illuminators to overseas customers in the fiscal year ending in March 2021, so in the next consolidated fiscal year we expect customers to make investments in line with their assessment of operating conditions.

We will have to wait and see how investment trends at overseas customers play out, but we think appetite for capital investment will remain elevated for the segment overall and expect full year sales to be flat year on year.

We forecast net sales in this segment for the full year of 4,506 million yen.

[2] Environmental energy related works

We expect customers will remain reluctant to make new capital investments because the pandemic has depressed business sentiment.

However, for drying deodorizers, we expect relatively firm demand for upgrades and maintenance of customers'

existing facilities, and we have received multiple orders for exhaust gas treatment system renewals. We therefore expect sales to remain flat year on year.

We forecast net sales in this segment for the full year of 838 million yen.

[3] Promotion business of Industry 4.0

We expect market conditions for the segment to remain uncertain due to the pandemic, but plan to work on mitigation measures in each of our businesses.

In precision vibration isolation systems, we will strengthen our overseas sales system in particular to promote sales to overseas customers. We have also been working on improving the performance of existing products, and expect to complete a prototype and launch it in overseas markets within the next consolidated fiscal year.

In gear testing systems, we expect customers will remain eager to invest and look for sales of existing products to also be flat year-on-year. We have also received many inquiries about our new FA image processing equipment (gear-defect testing system), and plan to strengthen sales.

Based on these conditions, we forecast segment sales to rise year on year to 1,459 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. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	4,906,332	7,224,091
Notes and accounts receivable – trade	1,610,612	675,519
Electronically recorded monetary claims – operating	489,357	754,129
Operational investment securities	45,223	38,077
Merchandise and finished goods	151,980	148,305
Work in process	861,327	797,317
Raw materials and supplies	505,257	466,966
Other	43,581	69,290
Allowance for doubtful accounts	(38,291)	(27,308)
Total current assets	8,575,381	10,146,389
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,787	714,787
Accumulated depreciation	(409,862)	(431,416)
Buildings and structures, net	304,925	283,370
Machinery, equipment and vehicles	502,989	526,411
Accumulated depreciation	(429,154)	(451,340)
Machinery, equipment and vehicles, net	73,834	75,071
Land	165,149	165,149
Other	459,496	532,514
Accumulated depreciation	(320,522)	(387,446)
Other, net	138,973	145,067
Total property, plant and equipment	682,883	668,658
Intangible assets		
Goodwill	283,568	234,725
Other	43,765	37,392
Total intangible assets	327,334	272,117
Investments and other assets		
Investment securities	130,399	130,423
Deferred tax assets	173,806	222,193
Other	125,856	205,707
Allowance for doubtful accounts	(10,045)	(80,967)
Total investments and other assets	420,017	477,356
Total non-current assets	1,430,234	1,418,133
Total assets	10,005,615	11,564,522

(Unit: Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	457,258	360,701
Short-term borrowings	190,000	210,000
Current portion of bonds	60,000	60,000
Current portion of long-term borrowings	255,101	144,815
Income taxes payable	132,553	476,487
Provision for product warranties	26,300	23,887
Provision for director stock benefits	199,400	194,300
Other	324,744	304,022
Total current liabilities	1,645,357	1,774,214
Non-current liabilities		
Bonds payable	90,000	30,000
Long-term borrowings	211,171	593,856
Provision for stock benefits	3,020	3,842
Provision for loss on obligations guarantee	58,000	—
Net defined benefit liability	89,662	97,941
Asset retirement obligations	10,150	10,150
Other	25,285	16,515
Total non-current liabilities	487,289	752,305
Total liabilities	2,132,647	2,526,520
Net assets		
Shareholders' equity		
Capital stock	1,760,299	1,760,299
Capital surplus	3,352,855	3,352,855
Retained earnings	3,870,244	4,826,850
Treasury shares	(1,074,588)	(892,028)
Total shareholders' equity	7,908,811	9,047,977
Accumulated other comprehensive income		
Foreign currency translation adjustment	(35,842)	(9,976)
Total accumulated other comprehensive income	(35,842)	(9,976)
Total net assets	7,872,968	9,038,001
Total liabilities and net assets	10,005,615	11,564,522

(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, 2020 (June 1, 2019 – May 31, 2020)	For the fiscal year ended May 31, 2021 (June 1, 2020 - May 31, 2021)
Net sales	7,083,426	6,627,997
Cost of sales	3,611,556	3,184,696
Gross profit	3,471,869	3,443,300
Selling, general and administrative expenses		
Sales commission	245,378	283,408
Directors' compensations	453,813	352,761
Salaries and allowances	288,452	292,033
Retirement benefit expenses	2,581	9,362
Provision for product warranties	1,813	4,563
Research and development expenses	123,146	61,142
Commission fee	178,268	141,176
Other	622,715	547,107
Total selling, general and administrative expenses	1,916,170	1,691,555
Operating income	1,555,699	1,751,744
Non-operating income		
Interest income	2,240	512
Dividend income	180	50
Income from assets for rent	13,196	13,063
Foreign exchange gains	—	8,975
Subsidy income	2,000	14,336
Miscellaneous income	6,133	18,480
Total non-operating income	23,750	55,419
Non-operating expenses		
Interest expenses	8,854	8,549
Expenses of assets for rent	11,618	10,216
Foreign exchange losses	7,842	—
Share of loss of entities accounted for using equity method	2,986	1,725
Commission expenses	—	36,000
Miscellaneous losses	2,624	1,952
Total non-operating expenses	33,926	58,445
Ordinary income	1,545,523	1,748,718
Extraordinary income		
Gain on sales of non-current assets	452	—
Total extraordinary income	452	—
Extraordinary losses		
Loss on retirement of non-current assets	495	7,954
Loss on sales of non-current assets	219	—
Loss on transfer of operations	19,856	—
Provision for loss on guarantees	58,000	—
Total extraordinary losses	78,570	7,954
Profit before income taxes	1,467,405	1,740,763
Income taxes – current	446,913	629,855
Income taxes – deferred	15,868	(48,382)
Total income taxes	462,782	581,473
Profit	1,004,623	1,159,290
Profit attributable to owners of parent	1,004,623	1,159,290

(Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2020 (June 1, 2019 – May 31, 2020)	For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)
Profit	1,004,623	1,159,290
Other comprehensive income		
Foreign currency translation adjustment	(25,552)	27,242
Share of other comprehensive income of entities accounted for using equity method	(397)	(1,375)
Total other comprehensive income	(25,949)	25,866
Comprehensive income	978,673	1,185,156
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	978,673	1,185,156
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in shareholders' equity

For the fiscal year ended May 31, 2020 (June 1, 2019 – May 31, 2020)

(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	2,719,603	3,065,143	(228,185)	7,316,861
Changes of items during period					
Dividends of surplus			(199,522)		(199,522)
Profit attributable to owners of parent			1,004,623		1,004,623
Purchase of treasury shares				(219,909)	(219,909)
Disposal of treasury shares		633,252		232,848	866,100
Purchase of treasury shares by trust				(1,064,664)	(1,064,664)
Transfer of treasury shares by trust				205,322	205,322
Net changes of items other than shareholders' equity					
Total changes of items during period	—	633,252	805,101	(846,403)	591,949
Balance at end of current period	1,760,299	3,352,855	3,870,244	(1,074,588)	7,908,811

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	(9,893)	(9,893)	7,306,968
Changes of items during period			
Dividends of surplus			(199,522)
Profit attributable to owners of parent			1,004,623
Purchase of treasury shares			(219,909)
Disposal of treasury shares			866,100
Purchase of treasury shares by trust			(1,064,664)
Transfer of treasury shares by trust			205,322
Net changes of items other than shareholders' equity	(25,949)	(25,949)	(25,949)
Total changes of items during period	(25,949)	(25,949)	566,000
Balance at end of current period	(35,842)	(35,842)	7,872,968

For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)

(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	3,870,244	(1,074,588)	7,908,811
Changes of items during period					
Dividends of surplus			(202,684)		(202,684)
Profit attributable to owners of parent			1,159,290		1,159,290
Purchase of treasury shares				(73)	(73)
Transfer of treasury shares by trust				182,634	182,634
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	956,605	182,560	1,139,166
Balance at end of current period	1,760,299	3,352,855	4,826,850	(892,028)	9,047,977

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	(35,842)	(35,842)	7,872,968
Changes of items during period			
Dividends of surplus			(202,684)
Profit attributable to owners of parent			1,159,290
Purchase of treasury shares			(73)
Transfer of treasury shares by trust			182,634
Net changes of items other than shareholders' equity	25,866	25,866	25,866
Total changes of items during period	25,866	25,866	1,165,032
Balance at end of current period	(9,976)	(9,976)	9,038,001

(4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2020 (June 1, 2019 – May 31, 2020)	For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,467,405	1,740,763
Depreciation	138,358	141,186
Amortization of goodwill	52,171	48,842
Increase (decrease) in allowance for doubtful accounts	(7,742)	59,865
Increase (decrease) in provision for product warranties	(6,232)	(2,412)
Increase (decrease) in provision for share benefits	375	822
Increase (decrease) in provision for director stock benefits	65,000	(5,100)
Increase (decrease) in provision for loss on liability guarantee	58,000	(58,000)
Increase (decrease) in net defined benefit liability	(1,408)	6,471
Interest and dividend income	(2,421)	(562)
Interest expenses and guarantees	9,327	8,856
Foreign exchange losses (gains)	3,715	(5,647)
Loss on valuation of inventories	15,638	59,594
Commission expenses	—	36,000
Loss on retirement of non-current assets	495	7,954
Loss (gain) on sales of property, plant and equipment	(233)	—
Loss (gain) on business transfer	19,856	—
Decrease (increase) in notes and accounts receivable – trade	215,147	740,706
Decrease (increase) in inventories	(61,814)	52,390
Decrease (increase) in investment securities for sale	8,217	7,145
Increase (decrease) in notes and accounts payable – trade	(49,220)	(112,044)
Increase/decrease in other assets/liabilities	54,332	(43,172)
Subtotal	1,978,969	2,683,660
Interest and dividend income received	2,420	561
Interest and guarantees paid	(9,469)	(9,377)
Income taxes paid	(807,833)	(305,248)
Net cash provided by (used in) operating activities	1,164,087	2,369,596
Cash flows from investing activities		
Payments into time deposits	—	(3,000)
Proceeds from withdrawal of time deposits	—	23,000
Purchase of property, plant and equipment	(164,590)	(106,895)
Proceeds from sales of property, plant and equipment	689	—
Purchase of other intangible assets	(14,997)	(12,652)
Purchase of shares of subsidiaries and associates	(100,000)	—
Payments for lease and guarantee deposits	(6,181)	(1,000)
Proceeds from collection of lease and guarantee deposits	4,749	643
Other	4,000	12,956
Net cash provided by (used in) investing activities	(276,330)	(86,948)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	120,000	20,000
Proceeds from long-term borrowings	30,000	640,000
Repayments of long-term borrowings	(337,377)	(367,601)
Redemption of bonds	(60,000)	(60,000)
Repayments of finance lease obligations	(8,540)	(9,358)
Purchase of treasury shares	(1,284,573)	(73)
Proceeds from sales of treasury shares	981,017	43,891
Cash dividends paid	(199,377)	(202,664)
Commission expenses	—	(36,000)
Net cash provided by (used in) financing activities	(758,850)	28,193
Effect of exchange rate change on cash and cash equivalents	(21,861)	26,916
Net increase (decrease) in cash and cash equivalents	107,044	2,337,758
Cash and cash equivalents at beginning of period	4,766,280	4,873,325
Cash and cash equivalents at end of period	4,873,325	7,211,083

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Additional information)

(Implications of COVID-19 for accounting estimates)

Although it is still difficult to make predictions on when the COVID-19 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.

(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 income. 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, 2020 (June 1, 2019 – May 31, 2020)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total	Adjustments *1	Amount recorded in the Consolidated Financial Statements
Net sales						
Sales to external customers	4,642,544	813,333	1,627,548	7,083,426	—	7,083,426
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	4,642,544	813,333	1,627,548	7,083,426	—	7,083,426
Segment income (loss) *2	2,310,256	(6,819)	96,193	2,399,630	(843,931)	1,555,699
Segment assets	7,322,804	734,069	1,828,050	9,884,924	120,691	10,005,615
Other items						
Depreciation	69,651	8,310	36,638	114,601	23,757	138,358
Increases in property, plant and equipment, and intangible assets	151,503	—	27,719	179,223	364	179,587

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

- (1) The adjusted amount of segment income includes negative 829,128,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 15,638,000 yen in inventory adjustments, and 836,000 yen in intra-segment elimination.
- (2) The adjusted amount of segment assets includes Company-wide assets of 120,691,000 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 is adjusted to operating income in the consolidated financial statements.

For the fiscal year ended May 31, 2021 (June 1, 2020 – May 31, 2021)

(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	4,505,539	824,077	1,298,380	6,627,997	—	6,627,997
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	4,505,539	824,077	1,298,380	6,627,997	—	6,627,997
Segment income (loss) *2	2,536,533	32,046	(74,689)	2,493,889	(742,145)	1,751,744
Segment assets	8,874,696	741,756	1,825,049	11,441,503	123,018	11,564,522
Other items						
Depreciation	82,711	6,240	29,303	118,255	22,931	141,186
Increases in property, plant and equipment, and intangible assets	64,343	3,760	48,878	116,982	2,565	119,547

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

- (1) The adjusted amount of segment income includes negative 683,175,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 59,594,000 yen in inventory adjustments, and 624,000 yen in intra-segment elimination.
- (2) The adjusted amount of segment assets includes Company-wide assets of 123,018,000 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 is adjusted to operating income in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (June 1, 2019 to May 31, 2020)	Current consolidated fiscal year (June 1, 2020 to May 31, 2021)
Net assets per share	720.15 yen	821.96 yen
Profit per share	91.94 yen	105.61 yen

(Notes) 1. Profit per share–diluted 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, 2019 to May 31, 2020)	Current consolidated fiscal year (June 1, 2020 to May 31, 2021)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	1,004,623	1,159,290
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	1,004,623	1,159,290
Average number of shares of common stock during the fiscal year (shares)	10,927,129	10,976,608

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 327,828 Company shares as of the end of the previous consolidated fiscal year (May 31, 2020), and 264,528 shares as of the end of the consolidated fiscal year under review (May 31, 2021). 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 154,343 Company shares during the previous consolidated fiscal year, and 283,634 shares during the consolidated fiscal year under review.

(Significant subsequent events)

No items to report.

4. Supplementary explanation of consolidated financial results for the fiscal year ended May 31, 2021

(1) Status of production, orders and sales

1) Production results

Segment	Previous consolidated fiscal year (June 1, 2019 to May 31, 2020)	Current consolidated fiscal year (June 1, 2020 to May 31, 2021)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	4,528,594	4,870,855	342,261	7.6
Environmental energy-related business	814,933	729,333	(85,600)	(10.5)
Promotion business of Industry 4.0	1,635,163	1,319,683	(315,480)	(19.3)
Total	6,978,692	6,919,872	(58,820)	(0.8)

(Notes) 1. Amounts presented in the table are based on sales amounts.

2. Consumption taxes are not included in the above amounts.

3. Production results include the results achieved with respect to outsourcing.

2) Orders received

Segment	Previous consolidated fiscal year (June 1, 2019 to May 31, 2020)		Current consolidated fiscal year (June 1, 2020 to May 31, 2021)		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	4,812,978	1,362,547	4,838,672	1,707,922	25,694	345,374
Environmental energy-related business	820,269	388,040	703,972	276,929	(116,296)	(111,110)
Promotion business of Industry 4.0	1,175,207	116,936	1,136,142	115,280	(39,064)	(1,655)
Total	6,808,454	1,867,523	6,678,786	2,100,132	(129,667)	232,608

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

2. 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, 2019 to May 31, 2020)	Current consolidated fiscal year (June 1, 2020 to May 31, 2021)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things-related business	4,642,544	4,505,539	(137,004)	(3.0)
Environmental energy-related business	813,333	824,077	10,743	1.3
Promotion business of Industry 4.0	1,627,548	1,298,380	(329,168)	(20.2)
Total	7,083,426	6,627,997	(455,429)	(6.4)

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