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 11, 2024

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 31, 2025 <Japanese GAAP>

Listed company: INTER ACTION Corporation
Listed stock exchange: Tokyo
Securities code: 7725
URL: https://www.inter-action.co.jp/en/
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Dividend payment commencement date: –
Preparation of explanatory materials for financial results: Yes
Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Cumulative First Quarter of the Fiscal Year Ending May 31, 2025 (June 1, 2024 to August 31, 2024)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2024	2,353	35.3	814	285.7	779	224.7	529	251.6
Three months ended August 31, 2023	1,740	(8.8)	211	(55.7)	239	(53.8)	150	(57.2)

(Note) Comprehensive income: Three months ended August 31, 2024: ¥512 million / 203.5%
Three months ended August 31, 2023: ¥168 million / (52.9)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2024	48.62	—
Three months ended August 31, 2023	13.90	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2024	13,635	11,272	82.7
As of May 31, 2024	13,645	11,036	80.9

(Reference) Shareholders' equity: As of August 31, 2024: ¥11,272 million
As of May 31, 2024: ¥11,036 million

(Note) The "Accounting Standard for Current Income Taxes" and related accounting guidance are applied from the beginning of the first quarter of the consolidated fiscal year under review. The figures for the fiscal year ended May 31, 2024 are after retrospective application of the foregoing.

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, 2024	–	10.00	–	25.00	35.00
Fiscal year ending May 31, 2025	–				
Fiscal year ending May 31, 2025 (Forecast)		10.00	–	25.00	35.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2025 (June 1, 2024 to May 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,560	(15.4)	987	(37.4)	965	(41.1)	652	(42.4)	59.88

(Note) 1. Amendment to forecasts of financial results recently announced: Yes
2. 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) Significant changes in the scope of consolidation during the period: 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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) For details, refer to page 8 of the attached materials, "2. Quarterly Consolidated Financial Statements and Notes (3) Note regarding the quarterly consolidated financial statements (Changes in accounting policies)."

(4) Number of shares issued (common shares)

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

As of August 31, 2024	11,510,200 shares
As of May 31, 2024	11,510,200 shares

(ii) Number of treasury shares at end of period

As of August 31, 2024	617,207 shares
As of May 31, 2024	617,607 shares

(iii) Average number of shares during period

For the three months ended August 31, 2024	10,892,676 shares
For the three months ended August 31, 2023	10,837,693 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.

* Review of the attached quarterly financial results conducted by certified public accountants or an audit firm: None

* 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. Financial Results" (page 3) of the Attached Materials.

[Attached Materials]

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1. Financial Results

(1) Explanation of quarterly operating results

Net sales and operating profit in the Inter Action Group's financial results for the first three months of the consolidated fiscal year under review rose year on year. This is mainly due to strong sales of the products in the Internet of things related works segment.

Note that we expect net sales in the consolidated fiscal year under review to be weighted toward the first half. While the progress in the first three months was above budget, for the whole of the first half, net sales generally progressed as budgeted since they included some project where delivery schedule was brought forward from the second quarter.

As a result of these business activities, the Inter Action Group's financial results for the first three months of the consolidated fiscal year under review were as follows. Net sales rose by 35.3% to 2,353 million yen (compared with 1,740 million yen in the previous fiscal year); gross profit rose by 88.4% to 1,189 million yen (compared with 631 million yen in the previous fiscal year), largely due to the increase in net sales; operating profit rose by 285.7% to 814 million yen (compared with 211 million yen in the previous fiscal year); ordinary profit rose by 224.7% to 779 million yen (compared with 239 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes rose by 251.6% to 529 million yen (compared with 150 million yen of profit attributable to owners of parent in the previous fiscal year).

The overall performance of each business segment was as follows.

(Internet of things related works)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers rose by 81.0% year on year to 1,768 million yen (compared with 977 million yen in the previous fiscal year), and segment profit increased by 199.4% to 1,068 million yen (compared with 356 million yen in the previous fiscal year). This reflects strong sales mainly of products for domestic customers, as well as improved profitability of inspection illuminators for domestic customers due to a shift in sales focus to new models in the first quarter under review from existing low-margin models in the same period of the previous year.

(Environmental energy related works)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers fell by 47.3% to 151 million yen (compared with 288 million yen in the previous fiscal year), and segment loss was 11 million yen (profit of 16 million yen in the previous fiscal year). This is attributable to sluggish sales of main units in the drying deodorizer area and sluggish sales also of maintenance projects in the exhaust gas treatment system area.

(Promotion business of Industry 4.0)

During the first three months of the consolidated fiscal year under review, net sales to this segment's external customers decreased by 8.7% to 433 million yen (compared with 474 million yen in the previous fiscal year), and the segment recorded a profit of 9 million yen (an 81.6% increase compared with 5 million yen in the previous fiscal year). This reflects a combination of sluggish sales of both precision vibration isolation systems and gear testing systems, and a year-on-year increase in the sales ratio of high-profit products in the precision vibration isolation systems area.

(2) Explanation of quarterly financial position

As of the end of the first quarter of the consolidated fiscal year under review, net assets amounted to 13,635 million yen, a decrease of 10 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 12,319 million yen, an increase of 11 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to increases of 808 million yen in electronically recorded monetary claims – operating, although there were decreases respectively of 246 million yen of cash and deposits, 241 million yen in notes and accounts receivable – trade, and 390 million yen in work in progress.

Non-current assets amounted to 1,316 million yen, a decrease of 21 million yen compared with the end of the previous consolidated fiscal year.

As of the end of the first quarter of the consolidated fiscal year under review, liabilities amounted to 2,363 million

yen, a decrease of 246 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to decreases respectively of 154 million yen in notes and accounts payable–trade and 88 million yen in accounts payable – other ("Other" of current liabilities).

As of the end of the first quarter of the consolidated fiscal year under review, total assets amounted to 11,272 million yen, an increase of 236 million yen compared with the amount held at the end of the previous consolidated fiscal year. This is mainly due to year-end dividends of 276 million yen in the previous fiscal year despite recording of profit attributable to owners of parent of 529 million yen.

Note that the "Accounting Standard for Current Income Taxes" and related accounting guidance are applied from the beginning of the first quarter of the consolidated fiscal year under review. With respect to the figures related to the end of the previous consolidated fiscal year, comparison and analysis are performed based on the figures after retrospective application.

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

In light of the trends in the first three months of the consolidated fiscal year under review, we have revised the full-year consolidated earnings forecasts for the fiscal year ending May 31, 2025 that were disclosed on July 12, 2024. This is because we now expect net sales, operating profit, ordinary profit and profit attributable to owners of parent to exceed the previous forecasts in consideration of such factors as reversal of allowance for doubtful accounts made in the first quarter under review, and delivery of products in the Internet of things related works segment which progressed ahead of initial projection.

Note that with respect to the earnings forecasts published at this time, no separate disclosure is made since the minor revision made is out of scope of the timely disclosure requirements set forth by the stock exchanges. If in the future the disclosure requirements become applicable, timely disclosure will be made promptly.

Also note that the earnings forecasts may fluctuate in the future to reflect changes in the social situation, domestic and overseas market trends and other factors, and a variety of factors may cause actual results to differ from those projected.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	6,324,492	6,077,858
Notes and accounts receivable–trade	1,138,039	896,268
Electronically recorded monetary claims–operating	2,352,792	3,161,494
Operational investment securities	41,958	42,895
Merchandise and finished goods	167,729	190,542
Work in process	1,579,954	1,189,163
Raw materials and supplies	686,873	680,127
Other	85,612	81,982
Allowance for doubtful accounts	(69,519)	(804)
Total current assets	12,307,932	12,319,528
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	231,488	250,575
Land	165,149	165,149
Other, net	240,897	236,583
Total property, plant and equipment	637,535	652,308
Intangible assets		
Goodwill	88,196	77,736
Other	54,620	62,605
Total intangible assets	142,816	140,342
Investments and other assets		
Investment securities	130,489	130,474
Other	438,981	404,403
Allowance for doubtful accounts	(11,967)	(11,378)
Total investments and other assets	557,503	523,499
Total non-current assets	1,337,854	1,316,150
Total assets	13,645,787	13,635,678

(Unit: Thousands of yen)

	As of May 31, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable–trade	432,564	278,054
Short-term borrowings	440,000	440,000
Current portion of long-term borrowings	59,936	58,436
Income taxes payable	324,156	253,513
Provision for bonuses	—	39,975
Provision for product warranties	10,709	12,039
Provision for share awards for directors (and other officers)	181,900	268,500
Other	697,040	575,157
Total current liabilities	2,146,306	1,925,675
Non-current liabilities		
Long-term borrowings	306,982	293,698
Provision for share awards	11,761	11,859
Retirement benefit liability	116,699	106,003
Asset retirement obligations	10,150	10,150
Other	17,754	16,016
Total non-current liabilities	463,348	437,728
Total liabilities	2,609,655	2,363,403
Net assets		
Shareholders' equity		
Share capital	1,760,299	1,760,299
Capital surplus	3,352,578	3,352,578
Retained earnings	6,861,637	7,114,371
Treasury shares	(983,327)	(983,127)
Total shareholders' equity	10,991,188	11,244,122
Accumulated other comprehensive income		
Foreign currency translation adjustment	44,944	28,152
Total accumulated other comprehensive income	44,944	28,152
Total net assets	11,036,132	11,272,275
Total liabilities and net assets	13,645,787	13,635,678

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

(Quarterly consolidated statements of income)

(June 1, 2024 – August 31, 2024)

(Unit: Thousands of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Net sales	1,740,014	2,353,992
Cost of sales	1,108,777	1,164,798
Gross profit	631,236	1,189,193
Selling, general and administrative expenses	420,047	374,592
Operating profit	211,189	814,600
Non-operating income		
Interest income	8,959	15,310
Dividend income	120	120
Income from assets for rent	3,210	5,010
Foreign exchange gains	18,145	－
Other	3,574	2,136
Total non-operating income	34,010	22,577
Non-operating expenses		
Interest expenses	1,376	1,704
Expenses of assets for rent	2,332	1,904
Foreign exchange losses	－	52,010
Other	1,518	2,256
Total non-operating expenses	5,227	57,875
Ordinary profit	239,972	779,302
Extraordinary income		
Gain on sale of non-current assets	27	－
Total extraordinary income	27	－
Extraordinary loss		
Loss on retirement of non-current assets	538	233
Total extraordinary loss	538	233
Profit before income taxes	239,460	779,069
Income taxes–current	55,321	220,062
Income taxes–deferred	33,546	29,452
Total income taxes	88,868	249,515
Profit	150,592	529,554
Profit attributable to owners of parent	150,592	529,554

(Quarterly consolidated statements of comprehensive income)
(June 1, 2024 – August 31, 2024)

(Unit: Thousands of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Profit	150,592	529,554
Other comprehensive income		
Foreign currency translation adjustment	18,370	(16,791)
Total other comprehensive income	18,370	(16,791)
Comprehensive income	168,963	512,762
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	168,963	512,762
Comprehensive income attributable to non-controlling interests	—	—

(3) Note regarding the quarterly consolidated financial statements

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022) and related accounting guidance from the beginning of the first quarter under review.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first quarter under review. The change in accounting policies was applied retrospectively to the consolidated financial statements for the first quarter of the previous fiscal year and the entire previous fiscal year. As a result, because the cumulative effect was reflected in net assets as of the beginning of the previous fiscal year, retained earnings as of the beginning of the previous fiscal year decreased by 8,114 thousand yen. The change had no impact on profit before income taxes in the quarter of the previous fiscal year.

(Segment information)

I. For the first three months of the fiscal year ended May 31, 2024 (June 1, 2023 to August 31, 2023)

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	977,127	288,088	474,798	1,740,014
Intra-segment internal sales and transfer amount	—	—	—	—
Total	977,127	288,088	474,798	1,740,014
Segment profit	356,698	16,758	5,361	378,818

2. Difference between total amount of profit 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	378,818
Company-wide expenses(Note)	(162,233)
Inter-segment eliminations	36
Adjustment of inventories	(5,431)
Operating profit in the quarterly consolidated statements of income	211,189

(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.

II. For the first three months of the fiscal year ending May 31, 2025 (June 1, 2024 to August 31, 2024)

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	1,768,792	151,933	433,265	2,353,992
Intra-segment internal sales and transfer amount	—	—	—	—
Total	1,768,792	151,933	433,265	2,353,992
Segment profit (loss)	1,068,023	(11,661)	9,733	1,066,096

2. Difference between total amount of profit 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	1,066,096
Company-wide expenses(Note)	(244,473)
Inter-segment eliminations	0
Adjustment of inventories	(7,022)
Operating profit in the quarterly consolidated statements of income	814,600

(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.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Notes on premise of going concern)

No items to report.

(Notes to the quarterly consolidated statement of cash flows)

A statement of cash flows has not been prepared in relation to the first three months of the consolidated fiscal year under review. Amounts of depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill associated with the first three months of the consolidated fiscal year are as follows.

(Thousands of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Depreciation	34,673	29,739
Amortization of goodwill	12,210	10,460

(Additional information)

(Stock benefit trust system that delivers company shares to employees through the trust)

1. Overview of transactions

The Company has adopted an incentive plan “Employee Stock Ownership Plan (J-ESOP)” (hereinafter, “the System”) for employees that offers them a stake in the Company’s shares. We hope this will help to enhance employee motivation and morale, and thereby the Company’s stock price and performance, by increasing the correlation between our stock price, business performance, and the treatment of employees, and sharing the economic effects with our shareholders.

The system is a mechanism for distributing the Company’s shares to employees that meet certain criteria in accordance with the stock benefit regulations established in advance by the Company. The Company will award employees points according to their personal contribution, etc. and distribute shares equivalent to the points awarded when the entitlement is gained under certain conditions.

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as “treasury shares” (excluding the amount of incidental costs) under net assets. The treasury shares in question had a book value of 13,285 thousand yen (26,500 shares) at the end of the previous fiscal year and 13,085 thousand yen (26,100 shares) at the end of the first quarter of the consolidated fiscal year under review.

(A performance-linked stock compensation system that distributes the company's shares via a trust to the directors)

1. Overview of transactions

We have adopted a “Board Benefit Trust” (hereinafter, “BBT”) that awards the Company’s shares to directors. The purpose of the BBT is to further clarify the correlation between the remuneration of directors and the Company’s performance and stock value. We hope this will not only contribute to boosting the stock price, but also contribute to increasing awareness of the importance of improving earnings and expanding corporate value over the longer term by sharing the risk of stock price downside with shareholders.

In the BBT system, the Company’s stock is acquired through a trust using funds contributed by the Company. The BBT is a performance-based stock compensation plan in which the Company’s stock is paid annually through a trust based on points granted to directors in accordance with their position and performance based on the director stock benefit regulations established by the Board of Directors.

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as “treasury shares” (excluding the amount of incidental costs) under net assets. The treasury shares in question had a book value of 354,902 thousand yen (153,728 shares) at the end of the previous fiscal year and at the end of the first quarter of the consolidated fiscal year under review.

(Revenue recognition-related information)
Disaggregated information on revenue from contracts with customers

For the first three months of the fiscal year ended May 31, 2024 (June 1, 2023 to August 31, 2023)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	977,127	286,258	474,798	1,738,183
Goods transferred over time	—	—	—	—
Revenue from contracts with customers	977,127	286,258	474,798	1,738,183
Other revenue(Note)	—	1,830	—	1,830
Sales to external customers	977,127	288,088	474,798	1,740,014

(Note) Other revenue is that recognized in "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

For the first three months of the fiscal year ending May 31, 2025 (June 1, 2024 to August 31, 2024)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	1,768,792	149,496	432,840	2,351,130
Goods transferred over time	—	—	424	424
Revenue from contracts with customers	1,768,792	149,496	433,265	2,351,555
Other revenue(Note)	—	2,437	—	2,437
Sales to external customers	1,768,792	151,933	433,265	2,353,992

(Note) Other revenue is that recognized in "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

3. Supplementary explanation of consolidated financial results for the first quarter of the fiscal year ending May 31, 2025

(1) Status of orders

In the first three months of the consolidated fiscal year under review, the amount of orders received and the order backlog decreased significantly year on year, primarily in the Internet of things related works segment. We view this to be attributable to robust capital investment demand mainly among domestic customers in the same period of the previous fiscal year, and to a temporary slowdown in customers' capital investment demand in the first quarter under review following large capital investments made by domestic customers during the previous fiscal year.

1) Orders received

Segment	First three months of the previous consolidated fiscal year (June 1, 2023 to August 31, 2023)		First three months of the current consolidated fiscal year (June 1, 2024 to August 31, 2024)		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	2,066,391	2,728,318	617,832	1,135,952	(1,448,558)	(1,592,366)
Environmental energy related works	182,776	675,945	144,326	477,945	(38,449)	(198,000)
Promotion business of Industry 4.0	494,099	286,381	515,351	336,620	21,252	50,239
Total	2,743,266	3,690,644	1,277,510	1,950,517	(1,465,756)	(1,740,127)

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