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July 13, 2020

## Consolidated Financial Results for the Fiscal Year Ended May 31, 2020 <Japanese GAAP>

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 Listed stock exchange: Tokyo  
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 Planned Date of General Shareholders' Meeting: August 25, 2020  
 Planned Commencement Date of Dividend Payments: August 26, 2020  
 Planned Filing Date of Securities Report: August 26, 2020  
 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 Fiscal Year Ended May 31, 2020 (June 1, 2019 to May 31, 2020)

#### (1) Consolidated operating results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2020	7,083	(11.3)	1,555	(21.4)	1,545	(20.5)	1,004	(27.5)
May 31, 2019	7,986	32.9	1,980	96.8	1,943	96.7	1,386	101.9

(Note) Comprehensive income: the fiscal year ended May 31, 2020: ¥978 million / (28.2)%  
 the fiscal year ended May 31, 2018: ¥1,362 million / 93.9%

	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, 2020	91.94	—	13.2	15.2	22.0
May 31, 2019	141.13	141.05	25.2	22.9	24.8

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2020: (¥2 million)  
 the fiscal year ended May 31, 2019: (¥7 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, 2020	10,005	7,872	78.7	720.15
As of May 31, 2019	10,388	7,306	70.3	661.44

(Reference) Shareholders' equity: As of May 31, 2020: ¥7,872 million  
 As of May 31, 2019: ¥7,306 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, 2020	1,164	(276)	(758)	4,873
May 31, 2019	943	(143)	1,754	4,766

**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, 2019	—	0.00	—	18.00	18.00	199	12.8	3.4
May 31, 2020	—	0.00	—	18.00	18.00	202	19.6	2.6
For the fiscal year ending May 31, 2021 (Forecast)	—	0.00	—	18.00	18.00		—	

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2021 (June 1, 2020 to May 31, 2021)**

The impact of COVID-19 has made it difficult to make a reasonable estimate of consolidated earnings for the fiscal year ending May 31, 2021. We have therefore decided not to announce forecasts at this point.

We will promptly disclose our forecast of consolidated earnings once it becomes possible to make an estimate.

**\* 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, 2020	11,510,200 shares
As of May 31, 2019	11,510,200 shares

(ii) Number of treasury shares at end of period

As of May 31, 2020	577,783 shares
As of May 31, 2019	463,156 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2020	10,927,129 shares
Fiscal year ended May 31, 2019	9,822,478 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, 2020 (June 1, 2019 to May 31, 2020)

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

	Net sales		Operating income		Ordinary income		Profit	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2020	4,832	(7.7)	1,443	(18.4)	1,648	(17.0)	1,121	(25.3)
May 31, 2019	5,233	76.5	1,769	125.3	1,986	123.1	1,501	115.7

	Profit per share	Profit per share—diluted
For the fiscal year ended	Yen	Yen
May 31, 2020	102.63	—
May 31, 2019	152.88	152.79

(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, 2020	8,956	7,718	86.2	706.02
As of May 31, 2019	9,224	7,009	76.0	634.53

(Reference) Shareholders' equity: As of May 31, 2020: ¥7,718 million  
As of May 31, 2019: ¥7,009 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 5) of the Attached Materials.



## [Attached Materials]

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## 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

During the fiscal year under review, the outlook for various industries in Japan and abroad remained uncertain due to US-China trade friction, a deterioration in relations between Japan and South Korea, and the spread of the COVID-19 virus. 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. We discuss conditions in each of these business segments 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.

In the current image sensor market, the growing popularity of smartphones equipped with multiple cameras is driving increased demand for smartphone camera products.

In the short-term, demand is focused on conventional image sensors that capture visible light in order to take photos and videos. The recent launch of 5G (fifth-generation mobile communication systems) services has raised expectations of smartphone replacement demand, but global smartphone shipment volume is forecast to decline due to the spread of COVID-19. As a result, image sensor manufacturers also appear to be carefully assessing market conditions.

Over the medium- to long-term, demand is expected to increase for image sensors that can capture three-dimensional information such as the distance between objects, which is essential for 3D sensing technology, and for vehicle image sensors, which are vital for self-driving vehicles. This means that image sensor manufacturers' strong desire for capital investment to boost production capacity is likely to continue.

In the environmental energy related works segment, we manufacture and sell drying deodorizers used together with printing presses (rotary 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 reduced demand for advertisement printing and depressed desire for capital investment.

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 image processing and laser processing equipment-related businesses.

We had observed indications of moves to bolster investment in production equipment in the flat-panel and OLED display industries, but companies appear to have revised the timing for starting capital investment or delayed decisions regarding this due to the spread of COVID-19. The outlook therefore remains uncertain.

Moreover, the gear testing systems market has essentially conformed to conditions of the machine tools market that has been susceptible to the business cycle, while the size of the market has continued to remain largely unchanged. Since gear testing machines are mainly used in products for the automotive industry, we have been strengthening our marketing efforts in that regard overseas where we anticipate increasing automotive production volume going forward. However, in both domestic and overseas businesses, declining operating rates at production plants of automotive-related companies, which are our major customers, has reduced demand for capital investment among customers. The outlook therefore remains unclear here as well.

In our new business related to FA image processing, we aim to build a system that can automatically detect defective products based on images taken of small scratches that occur during the manufacturing process of metal gears.

As for the laser processing machines-related business, which is also a new business, in the field of micromachining using lasers, we aim to commercialize ultra-fine processing machines for materials such as ceramics by providing short-pulse laser ablation technology (processing that reduces thermal damage to

materials by irradiating light for short periods of time). In order to promote this business, in May 2020 the company acquired all shares of Lasteck Co., Ltd., which conducts commissioned development of laser processing machines, and made it a subsidiary.

As a result, the Inter Action Group's financial results for the consolidated fiscal year under review were as follows. Net sales declined by 11.3% to 7,083 million yen (in comparison with 7,986 million yen in the previous fiscal year); gross profit fell by 10.0% to 3,471 million yen largely due to the decline in net sales (in comparison with 3,859 million yen in the previous fiscal year); operating income fell by 21.4% to 1,555 million yen (in comparison with 1,980 million yen in the previous fiscal year); ordinary income fell by 20.5% to 1,545 million yen (in comparison with 1,943 million yen in the previous fiscal year); and final profit attributable to owners of parent declined by 27.5% to 1,004 million yen (in comparison with 1,386 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, 2020	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,818	2,008	1,122	2,133	7,083
Operating income	466	449	40	599	1,555
Ordinary income	460	456	38	590	1,545
Profit attributable to owners of parent	291	313	13	385	1,004

Moreover, with respect to the Company's non-consolidated financial results, net sales in the Internet of things related works fell by 6.6% to 4,642 million yen (in comparison with 4,971 million yen in the previous fiscal year). Net sales in the environmental energy related works were 0 million yen (0 million yen in the previous fiscal year). Net sales in the promotion business of Industry 4.0 fell by 27.2% to 189 million yen (in comparison with 260 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 7.7% to 4,832 million yen (in comparison with 5,233 million yen in the previous fiscal year); operating income fell by 18.4% to 1,443 million yen (in comparison with 1,769 million yen in the previous fiscal year); ordinary income fell by 17.0% to 1,648 million yen (in comparison with 1,986 million yen in the previous fiscal year); and final profit fell by 25.3% to 1,121 million yen (in comparison with 1,501 million yen in the previous fiscal year).

## 2) Business conditions by segment

(Internet of things related works)

Image sensor manufacturers, the Company's main customers, have continued to actively undertake capital investment, but have become cautious about investment decisions due to current social conditions.

Orders and sales of illuminators in the first half of the fiscal year under review were weaker than expected, and the booking of sales of some products expected in the fourth quarter was delayed until the next fiscal year. Orders came in broadly as expected in the second half, but curbs to operating activities due to COVID-19 made it difficult to take aggressive measures to make up for the slow start in the first half.

Sales of pupil lens modules missed our forecast because demand did not increase to the extent that we had initially expected.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 6.6% to 4,642 million yen (in comparison with 4,971 million yen in the previous fiscal year), and segment income decreased by 10.9% to 2,310 million yen (in comparison with 2,591 million yen in the previous fiscal year).

(Environmental energy related works)

Sales volume of the segment's mainstay drying deodorizers and exhaust gas treatment systems fell short of

our forecast due to weaker than usual demand for new capital investment in related industries. In addition, delays to construction work due to COVID-19 and a decline in maintenance-related business due to lower operating rates at customers meant that sales could not be secured.

In the future, the group will take measures to develop new products in addition to conventional products.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 28.1% to 813 million yen (in comparison with 1,131 million yen in the previous fiscal year), and the segment recorded a loss of 6 million yen (in comparison with profit of 54 million yen in the previous fiscal year).

#### (Promotion business of Industry 4.0)

The booking of sales of some precision vibration isolation systems that had been expected in the fourth quarter was delayed. Moreover, new project numbers declined due to COVID-19, and sales of products primarily for overseas were less than expected.

For gear testing systems, the COVID-19 pandemic resulted in adjustments to operations at the production plants of automotive makers, which are our major customers in Japan, so desire for capital investment slumped. In addition, operating activities were curbed, making it difficult to secure sales. In overseas business, lockdowns in various countries forced our major customers to adjust operations at plants and postpone negotiations, so it was difficult to sell products and introduce them to customers. On the other hand, sales in the fiscal year before the pandemic took hold were strong, and we were able to secure sales over the full fiscal year at the same level as the previous year.

In the FA image processing-related business, we have continued developing a technology that captures the details of scratches created during the manufacture of metal gears. Development proceeded broadly in line with plan, and prototypes were scheduled to be announced at an exhibition in December 2020, but the exhibition was canceled and we are reconsidering how to promote and expand sales of new products.

In the laser processing machines business, we made Lastech Co., Ltd. a subsidiary in May 2020 as part of efforts to build the required organizational system for the business. In the future, we will work to expand the scale of our business with proactive sales activities and mass-production systems.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 13.6% to 1,627 million yen (in comparison with 1,882 million yen in the previous fiscal year), and segment income increased by 47.7% to 96 million yen (in comparison with 65 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, 2020), total assets amounted to 10,005 million yen, down 383 million yen compared to the amount held at the end of the previous consolidated fiscal year on May 31, 2019.

Current assets amounted to 8,575 million yen, a decrease of 336 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to a 910 million yen decline in electronically recorded monetary claims – operating, despite a 107 million yen increase in cash and deposits and 438 million yen rise in notes and accounts receivable – trade.

Non-current assets amounted to 1,430 million yen, a decrease of 47 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to an 82 million yen decline in goodwill and 17 million yen fall in deferred tax assets, despite a 96 million yen increase in investment securities.

As of the end of the consolidated fiscal year under review (May 31, 2020), liabilities amounted to 2,132 million yen, which is a decrease of 949 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective decreases in income taxes payable, down by 390 million yen, advances received (Other in the Current liabilities), down by 248 million yen, and bonds and loans payable including the current portions thereof, down by 247 million yen.

As of the end of the consolidated fiscal year under review (May 31, 2020), net assets amounted to 7,872 million yen, which is an increase of 566 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 1,004 million yen and



an increase in capital surplus of 633 million yen due to gains on disposal of treasury shares, and despite year-end dividends in the previous fiscal year of 199 million yen and a net increase in treasury shares of 846 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 4,873 million yen, which is an increase of 107 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 1,164 million yen (in comparison with net cash provided by operating activities of 943 million yen in the previous fiscal year). This is mainly a result of having recorded 1,467 million yen in profit before income taxes, depreciation of 138 million yen, and a decrease of 215 million yen in notes and accounts receivable – trade, despite 807 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 276 million yen (in comparison with net cash used in investing activities of 143 million yen in the previous fiscal year). This is mainly a result of having recorded 179 million yen in purchases of property, plant and equipment and intangible assets, and 100 million yen due to the purchase of related company shares.

#### (Cash flow from financing activities)

Net cash used in financing activities during the consolidated fiscal year under review amounted to 758 million yen (in comparison with net cash provided by financing activities of 1,754 million yen in the previous fiscal year). This is mainly a result of having recorded 187 million yen in net repayments of short-term and long-term loans payable, 303 million yen in purchase of treasury shares, and 199 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2018	For the fiscal year ended May 31, 2019	For the fiscal year ended May 31, 2020
Shareholders' equity ratio (%)	56.0	70.3	78.7
Shareholders' equity ratio at market value (%)	205.1	149.2	254.1
Debt repayment period (years)	3.3	1.1	0.7
Interest coverage ratio (times)	25.7	72.3	122.9

(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

The outlook for the world economy remains highly uncertain amid the changes in US-China and Japan-South Korea relations, as well as the threat of the COVID-19 pandemic.

Under these circumstances, some major customers have indicated their intention to continue capital investment, although they have yet to decide on the timing for investments due to the unstable market trend for final products. This has made it difficult to estimate trends in customers' capital investment, which we use when formulating the Group's earnings forecasts.

Accordingly, the consolidated financial results forecast for the fiscal year ending May 2021 is undecided at this point because we lack enough information to make reasonable estimates. We will promptly announce a forecast when it becomes possible to make reasonable estimates.

## 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, 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, 2019	As of May 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,799,286	4,906,332
Notes and accounts receivable – trade	1,172,506	1,610,612
Electronically recorded monetary claims – operating	1,400,050	489,357
Operational investment securities	53,441	45,223
Merchandise and finished goods	182,607	151,980
Work in process	873,819	861,327
Raw materials and supplies	429,174	505,257
Other	51,800	43,581
Allowance for doubtful accounts	(51,169)	(38,291)
Total current assets	8,911,516	8,575,381
Non-current assets		
Property, plant and equipment		
Buildings and structures	711,601	714,787
Accumulated depreciation	(387,423)	(409,862)
Buildings and structures, net	324,178	304,925
Machinery, equipment and vehicles	486,404	502,989
Accumulated depreciation	(408,520)	(429,154)
Machinery, equipment and vehicles, net	77,883	73,834
Land	165,149	165,149
Other	424,331	459,496
Accumulated depreciation	(287,376)	(320,522)
Other, net	136,954	138,973
Total property, plant and equipment	704,166	682,883
Intangible assets		
Goodwill	366,113	283,568
Other	47,373	43,765
Total intangible assets	413,487	327,334
Investments and other assets		
Investment securities	33,819	130,399
Deferred tax assets	191,415	173,806
Other	139,557	125,856
Allowance for doubtful accounts	(4,993)	(10,045)
Total investments and other assets	359,798	420,017
Total non-current assets	1,477,452	1,430,234
<b>Total assets</b>	<b>10,388,969</b>	<b>10,005,615</b>

(Unit: Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	513,562	457,258
Short-term loans payable	70,000	190,000
Current portion of bonds	60,000	60,000
Current portion of long-term loans payable	335,043	255,101
Income taxes payable	522,759	132,553
Provision for product warranties	32,532	26,300
Provision for director stock benefits	134,400	199,400
Other	691,716	324,744
Total current liabilities	2,360,014	1,645,357
Non-current liabilities		
Bonds payable	150,000	90,000
Long-term loans payable	438,606	211,171
Deferred tax liabilities	1,830	—
Provision for stock benefits	2,644	3,020
Provision for loss on obligations guarantee	—	58,000
Net defined benefit liability	91,462	89,662
Asset retirement obligations	10,144	10,150
Other	27,298	25,285
Total non-current liabilities	721,986	487,289
Total liabilities	3,082,000	2,132,647
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,760,299	1,760,299
Capital surplus	2,719,603	3,352,855
Retained earnings	3,065,143	3,870,244
Treasury shares	(228,185)	(1,074,588)
Total shareholders' equity	7,316,861	7,908,811
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,893)	(35,842)
Total accumulated other comprehensive income	(9,893)	(35,842)
Total net assets	7,306,968	7,872,968
Total liabilities and net assets	10,388,969	10,005,615

(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, 2019 (June 1, 2018 – May 31, 2019)	For the fiscal year ended May 31, 2020 (June 1, 2019 - May 31, 2020)
Net sales	7,986,421	7,083,426
Cost of sales	4,127,101	3,611,556
Gross profit	3,859,319	3,471,869
Selling, general and administrative expenses		
Sales commission	194,275	245,378
Directors' compensations	297,720	453,813
Salaries and allowances	308,044	288,452
Retirement benefit expenses	16,048	2,581
Provision for product warranties	36,346	1,813
Research and development expenses	106,779	123,146
Commission fee	156,416	178,268
Other	763,558	622,715
Total selling, general and administrative expenses	1,879,190	1,916,170
Operating income	1,980,129	1,555,699
Non-operating income		
Interest income	1,011	2,240
Dividend income	180	180
Income from assets for rent	12,716	13,196
Miscellaneous income	5,548	8,133
Total non-operating income	19,456	23,750
Non-operating expenses		
Interest expenses	11,808	8,854
Expenses of assets for rent	29,059	11,618
Foreign exchange losses	5,425	7,842
Share of loss of entities accounted for using equity method	7,200	2,986
Miscellaneous loss	2,164	2,624
Total non-operating expenses	55,659	33,926
Ordinary income	1,943,927	1,545,523
Extraordinary income		
Gain on sales of non-current assets	2,026	452
Total extraordinary income	2,026	452
Extraordinary losses		
Loss on retirement of non-current assets	7,587	495
Loss on sales of non-current assets	—	219
Loss on transfer of operations	—	19,856
Provision for liability guarantee loss	—	58,000
Loss on sales of investment securities	1,534	—
Total extraordinary losses	9,122	78,570
Profit before income taxes	1,936,831	1,467,405
Income taxes – current	656,369	446,913
Income taxes – deferred	(105,821)	15,868
Total income taxes	550,547	462,782
Profit	1,386,283	1,004,623
Profit attributable to owners of parent	1,386,283	1,004,623

## (Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)	For the fiscal year ended May 31, 2020 (June 1, 2019 – May 31, 2020)
Profit	1,386,283	1,004,623
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,049)	—
Foreign currency translation adjustment	(21,495)	(25,552)
Share of other comprehensive income of entities accounted for using equity method	(435)	(397)
Total other comprehensive income	(23,981)	(25,949)
Comprehensive income	1,362,302	978,673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,362,302	978,673
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated statements of changes in shareholders' equity

For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	610,982	1,570,286	1,804,372	(317,263)	3,668,377
Changes of items during period					
Issuance of new shares	1,149,317	1,149,317			2,298,634
Dividends of surplus			(125,512)		(125,512)
Profit attributable to owners of parent			1,386,283		1,386,283
Purchase of treasury shares				(49,974)	(49,974)
Transfer of treasury shares by trust				139,051	139,051
Net changes of items other than shareholders' equity					
Total changes of items during period	1,149,317	1,149,317	1,260,771	89,077	3,648,483
Balance at end of current period	1,760,299	2,719,603	3,065,143	(228,185)	7,316,861

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	2,049	12,038	14,088	3,682,465
Changes of items during period				
Issuance of new shares				2,298,634
Dividends of surplus				(125,512)
Profit attributable to owners of parent				1,386,283
Purchase of treasury shares				(49,974)
Transfer of treasury shares by trust				139,051
Net changes of items other than shareholders' equity	(2,049)	(21,931)	(23,981)	(23,981)
Total changes of items during period	(2,049)	(21,931)	(23,981)	3,624,502
Balance at end of current period	—	(9,893)	(9,893)	7,306,968

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



## (4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)	For the fiscal year ended May 31, 2020 (June 1, 2019 – May 31, 2020)
Cash flows from operating activities		
Profit before income taxes	1,936,831	1,467,405
Depreciation	116,988	138,358
Amortization of goodwill	53,835	52,171
Increase (decrease) in allowance for doubtful accounts	36,642	(7,742)
Increase (decrease) in provision for product warranties	23,398	(6,232)
Increase (decrease) in provision for share benefits	336	375
Increase (decrease) in provision for director stock benefits	(6,844)	65,000
Increase (decrease) in provision for loss on liability guarantee	—	58,000
Increase (decrease) in net defined benefit liability	7,574	(1,408)
Interest and dividend income	(1,191)	(2,421)
Interest expenses and guarantees	12,923	9,327
Foreign exchange losses (gains)	(2,747)	3,715
Loss on valuation of inventories	7,661	15,638
Loss on retirement of property, plant and equipment	3,677	495
Loss on retirement of intangible assets	3,910	—
Loss (gain) on sales of property, plant and equipment	(2,026)	(233)
Loss (gain) on sales of investment securities	1,534	—
Loss (gain) on business transfer	—	19,856
Decrease (increase) in notes and accounts receivable – trade	(709,314)	215,147
Decrease (increase) in inventories	(279,324)	(61,814)
Decrease (increase) in investment securities for sale	7,442	8,217
Increase (decrease) in notes and accounts payable – trade	36,604	(49,220)
Increase/decrease in other assets/liabilities	132,862	54,332
Subtotal	1,380,776	1,978,969
Interest and dividend income received	1,191	2,420
Interest and guarantees paid	(13,042)	(9,469)
Income taxes paid	(425,415)	(807,833)
Net cash provided by (used in) operating activities	943,509	1,164,087
Cash flows from investing activities		
Purchase of property, plant and equipment	(123,806)	(164,590)
Proceeds from sales of property, plant and equipment	29,131	689
Purchase of other intangible assets	(12,614)	(14,997)
Purchase of shares of subsidiaries and associates	(20,000)	(100,000)
Proceeds from sales of investment securities	2,817	—
Payments for lease and guarantee deposits	(19,069)	(6,181)
Proceeds from collection of lease and guarantee deposits	—	4,749
Other	—	4,000
Net cash provided by (used in) investing activities	(143,541)	(276,330)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(90,000)	120,000
Proceeds from long-term loans payable	100,000	30,000
Repayments of long-term loans payable	(415,380)	(337,377)
Redemption of bonds	(90,000)	(60,000)
Repayments of finance lease obligations	(4,278)	(8,540)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	2,268,014	—
Proceeds from issuance of subscription rights to shares	42,000	—
Purchase of treasury subscription rights to shares	(11,379)	—
Purchase of treasury shares	(49,974)	(1,284,573)
Proceeds from sales of treasury shares	130,786	981,017
Cash dividends paid	(125,638)	(199,377)
Net cash provided by (used in) financing activities	1,754,149	(758,850)
Effect of exchange rate change on cash and cash equivalents	(8,664)	(21,861)
Net increase (decrease) in cash and cash equivalents	2,545,452	107,044
Cash and cash equivalents at beginning of period	2,220,828	4,766,280
Cash and cash equivalents at end of period	4,766,280	4,873,325

(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)

It is difficult to estimate the impact of COVID-19 on the Group's operating results, but we have made accounting estimates for impairment of fixed assets and other items assuming that the virus continues to have an impact for a year or so.

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 those described under the section, "Basis of presenting the 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, 2019 (June 1, 2018 – May 31, 2019)

(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	4,971,758	1,131,985	1,882,677	7,986,421	—	7,986,421
Intra-segment internal sales and transfer amount	—	—	798	798	(798)	—
Total	4,971,758	1,131,985	1,883,475	7,987,219	(798)	7,986,421
Segment income (loss) *2	2,591,494	54,171	65,115	2,710,781	(730,651)	1,980,129
Segment assets	7,502,365	770,454	2,098,097	10,370,918	18,050	10,388,969
Other items						
Depreciation	55,997	9,814	33,942	99,754	17,234	116,988
Increases in property, plant and equipment, and intangible assets	101,382	—	35,038	136,421	—	136,421

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

- (1) The adjusted amount of segment income includes negative 724,293,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 7,661,000 yen in inventory adjustments, and 1,303,000 yen in intra-segment elimination.
  - (2) The adjusted amount of segment assets includes Company-wide assets of 18,050,000 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, 2020 (June 1, 2019 – May 31, 2020)

(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	4,642,544	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.

## (Information per share)

	Previous consolidated fiscal year (June 1, 2018 to May 31, 2019)	Current consolidated fiscal year (June 1, 2019 to May 31, 2020)
Net assets per share	661.44 yen	720.15 yen
Profit per share	141.13 yen	91.94 yen
Profit per share–diluted	141.05 yen	-

(Notes) 1. Profit per share–diluted in the consolidated fiscal year under review 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, 2018 to May 31, 2019)	Current consolidated fiscal year (June 1, 2019 to May 31, 2020)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	1,386,283	1,004,623
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	1,386,283	1,004,623
Average number of shares of common stock during the fiscal year (shares)	9,822,478	10,927,129
Profit per share–diluted		
Adjustment on profit attributable to owners of parent (thousands of yen)	—	—
Increase in common stock (number of shares)	6,040	—
Subscription rights to shares (number of shares)	6,040	—
Overview of potential stock not included in calculations of profit per share–diluted because the stocks have no dilutive effect	—	

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 37,528 Company shares as of the end of the previous consolidated fiscal year (May 31, 2019), and 327,828 shares as of the end of the consolidated fiscal year under review (May 31, 2020). 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 88,438 Company shares during the previous consolidated fiscal year, and 154,343 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, 2020

##### (1) Status of production, orders and sales

###### 1) Production results

Segment	Previous consolidated fiscal year (June 1, 2018 to May 31, 2019)	Current consolidated fiscal year (June 1, 2019 to May 31, 2020)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	4,976,497	4,528,594	(447,902)	(9.0)
Environmental energy-related business	965,258	814,933	(150,324)	(15.6)
Promotion business of Industry 4.0	1,876,825	1,635,163	(241,661)	(12.9)
Total	7,818,581	6,978,692	(839,889)	(10.7)

(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, 2018 to May 31, 2019)		Current consolidated fiscal year (June 1, 2019 to May 31, 2020)		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	5,559,336	1,199,776	4,812,978	1,362,547	(746,358)	162,771
Environmental energy-related business	1,053,194	340,802	820,269	388,040	(232,925)	47,237
Promotion business of Industry 4.0	1,577,623	165,882	1,175,207	116,936	(402,415)	(48,946)
Total	8,190,154	1,706,461	6,808,454	1,867,523	(1,381,700)	161,062

(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, 2018 to May 31, 2019)	Current consolidated fiscal year (June 1, 2019 to May 31, 2020)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things-related business	4,971,758	4,642,544	(329,213)	(6.6)
Environmental energy-related business	1,131,985	813,333	(318,652)	(28.1)
Promotion business of Industry 4.0	1,882,677	1,627,548	(255,128)	(13.6)
Total	7,986,421	7,083,426	(902,994)	(11.3)

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