



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.

July 13, 2018

Consolidated Financial Results for the Fiscal Year Ended May 31, 2018 <Japanese GAAP>

Listed company: INTER ACTION Corporation
 Listed stock exchange: Tokyo
 Securities code: 7725
 URL: <http://www.inter-action.co.jp/>
 Representative: Hideo Kiji, CEO & President
 Contact: Nobuo Kiji, Executive Vice President
 Telephone number: +81-45-788-8373

Planned Date of General Shareholders' Meeting: August 24, 2018

Planned Commencement Date of Dividend Payments: August 27, 2018

Planned Filing Date of Securities Report: August 27, 2018

Preparation of explanatory materials for financial results: Yes

Holding of a briefing on financial results: Yes

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended May 31, 2018 (June 1, 2017 to May 31, 2018)

(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, 2018	6,009	11.9	1,006	131.1	988	136.9	686	74.0
May 31, 2017	5,369	5.7	435	(6.9)	417	(5.9)	394	27.1

(Note) Comprehensive income: the fiscal year ended May 31, 2018: ¥702 million / 73.4%
 the fiscal year ended May 31, 2017: ¥405 million / 38.3%

	Net income per share	Net income per share—diluted	Net income to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
May 31, 2018	72.58	—	20.1	17.0	16.7
May 31, 2017	41.52	—	13.2	7.7	8.1

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2018: (¥0 million)
 the fiscal year ended May 31, 2017: (¥0 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, 2018	6,597	3,682	55.8	389.62
As of May 31, 2017	5,015	3,134	62.5	329.71

(Reference) Shareholders' equity: As of May 31, 2018: ¥3,682 million
 As of May 31, 2017: ¥3,134 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, 2018	463	26	(205)	2,220
May 31, 2017	(280)	(81)	(153)	1,935

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, 2017	—	0.00	—	12.00	12.00	114	28.9	3.9
May 31, 2018	—	0.00	—	13.00	13.00	125	17.9	3.6
For the fiscal year ending May 31, 2019 (Forecast)	—	0.00	—	13.00	13.00		20.3	

Breakdown of dividend for the fiscal year ending May 31, 2018: Ordinary dividend - 10.00 yen,
Commemorative dividend - 2.00 yen

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter-end (Cumulative)	—	—		—	—	—	—	—	—
Full year	6,148	2.3	1,001	(0.4)	1,010	2.3	606	(11.7)	64.16

(Note) 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 trusts.

*** 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, 2018	10,052,100 shares
As of May 31, 2017	10,052,100 shares

(ii) Number of treasury shares at end of period

As of May 31, 2018	600,754 shares
As of May 31, 2017	545,428 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2018	9,460,601 shares
Fiscal year ended May 31, 2017	9,501,059 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, 2018 (June 1, 2017 to May 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2018	2,964	86.9	785	992.2	890	353.8	696	134.9
May 31, 2017	1,586	(8.4)	71	(70.5)	196	(36.9)	296	23.6

	Net income per share		Net income per share—diluted	
For the fiscal year ended	Yen		Yen	
May 31, 2018	73.59		—	
May 31, 2017	31.19		—	

(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, 2018	4,933	3,245	65.8	343.43
As of May 31, 2017	3,613	2,704	74.8	284.45

(Reference) Shareholders' equity: As of May 31, 2018: ¥3,245 million

As of May 31, 2017: ¥2,704 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]

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	3
(3) Overview of cash flows for the fiscal year under review	4
(4) Forecasts	5
2. Basic Policy on the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Notes	7
(1) Consolidated balance sheets	7
(2) Consolidated statements of income and consolidated statements of comprehensive income	9
(Consolidated statements of income)	9
(Consolidated statements of comprehensive income)	10
(3) Consolidated statement of changes in shareholders' equity	11
(4) Consolidated statement of cash flows	13
(5) Note regarding the consolidated financial statements	15
(Notes on premise of going concern)	15
(Segment information)	15
(Information per share)	18
(Significant subsequent events)	18
4. Supplementary explanation of consolidated financial results for the fiscal year ended May 31, 2018.....	19
(1) Status of production, orders and sales	19

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 consolidated fiscal year under review (the fiscal year ended May 31, 2018), the global economy overall mounted a relatively consistent recovery and expansion, despite government policy and geopolitical risk stemming from measures carried out by the new ruling administration in the U.S., national elections in major European nations and tensions with respect to developments in the Middle East and North Korea. Japan's economy also held to a path of moderate expansion throughout the fiscal year, amid a situation where the nation has achieved a period economic expansion on par with the so-called "Izanagi boom," Japan's second longest postwar economic recovery.

Against this backdrop, the Inter Action Group continued its efforts geared to tapping demand for capital investment, all the while strengthening its corporate governance practices and maintaining a minimal organizational framework and cost structure.

As a result, the Inter Action Group's financial results for the consolidated fiscal year under review increased across the board. Net sales increased by 11.9% to 6,009 million yen (in comparison with 5,369 million yen in the previous fiscal year); gross profit increased by 48.1% to 2,679 million yen largely due to the increase in net sales (in comparison with 1,808 million yen in the previous fiscal year); operating income increased by 131.1% to 1,006 million yen (in comparison with 435 million yen in the previous fiscal year); ordinary income increased by 136.9% to 988 million yen (in comparison with 417 million yen in the previous fiscal year), and; final profit attributable to owners of parent increased by 74.0% to 686 million yen (in comparison with 394 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, 2018	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,056	1,536	1,613	1,802	6,009
Operating income	132	192	353	327	1,006
Ordinary income	121	197	370	298	988
Profit attributable to owners of parent	61	106	302	215	686

Moreover, with respect to Company's non-consolidated financial results, net sales in the Internet of things related works increased by 106.1% to 2,722 million yen (in comparison with 1,320 million yen in the previous fiscal year). Net sales in the environmental energy related works decreased by 92.2% to 6 million yen (in comparison with 78 million yen in the previous fiscal year). Net sales in the promotion business of Industry 4.0 increased by 25.7% to 235 million yen (in comparison with 187 million yen in the previous fiscal year).

As a result, the Inter Action Group's non-consolidated financial results for the fiscal year under review increased across the board. Net sales increased by 86.9% to 2,964 million yen (in comparison with 1,586 million yen in the previous fiscal year); operating income increased by 992.2% to 785 million yen (in comparison with 71 million yen in the previous fiscal year); ordinary income increased by 353.8% to 890 million yen (in comparison with 196 million yen in the previous fiscal year), and; final profit increased by 134.9% to 696 million yen (in comparison with 296 million yen in the previous fiscal year).

2) Business conditions by segment

(Internet of things related works)

We have increased production volume of image sensors in response to aggressive capital investment among semiconductor manufacturers with whom this segment does business, against a backdrop of increasingly high-performance smartphones and growing demand for image sensors particularly for use in automobiles. As a result, we generated strong unit sales of the Group's mainstay products, inspection illuminators and pupil lens modules for CCD and C-MOS image sensors.

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 106.1% to 2,722 million yen (in comparison with 1,320 million yen in the previous fiscal year), and segment income increased by 133.9% to 1,491 million yen (in comparison with 637 million yen in the previous fiscal year).

(Environmental energy related works)

Against the backdrop of a contracting market, we enhanced our energy-saving maintenance services which deliver high added-value, yet generated sluggish net sales amid adverse effects of moves to curb capital investment among printing machinery manufacturers who purchase this segment's mainstay product, drying deodorizers for web offset printing presses.

Moreover, segment income has improved despite a downturn in revenues as a result of having withdrawn from the renewable energy business, which had been unprofitable, in the previous fiscal year.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 24.6% to 1,239 million yen (in comparison with 1,642 million yen in the previous fiscal year), and segment income increased by 202.4% to 100 million yen (in comparison with 33 million yen in the previous fiscal year).

(Promotion business of Industry 4.0)

Lackluster appetite for capital investment among organic electroluminescent (EL) display manufacturers in South Korea resulted in sluggish unit sales of precision vibration isolation systems serving capital investment needs in the market of manufacturers of flat-panel displays (FPD) and organic EL displays who purchase such systems.

Moreover, segment income decreased substantially due to temporary losses incurred upon having recognized costs such as acquisition-related expenses associated with making Tokyo Technical Instruments Inc. a subsidiary, and expenses for developing new products.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 14.9% to 2,047 million yen (in comparison with 2,405 million yen in the previous fiscal year), and segment income decreased by 90.8% to 30 million yen (in comparison with 327 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, 2018), total assets amounted to 6,597 million yen, which is an increase of 1,582 million yen in comparison to the amount held at the end of the previous consolidated fiscal year on May 31, 2017 (of that increase, 979 million yen is attributable to the newly consolidated subsidiary).

Current assets amounted to 5,323 million yen, which is an increase of 1,181 million yen in comparison to the end of the previous consolidated fiscal year (of which, 583 million yen is attributable to the new subsidiary). This is mainly attributable to respective increases in cash and deposits, up by 308 million yen (of which, 249 million yen is attributable to the new subsidiary), notes and accounts receivable - trade, inclusive of electronically recorded monetary claims - operating, up by 213 million yen (of which, 141 million yen is attributable to the new subsidiary), and inventories, up by 681 million yen (of which, 169 million yen is attributable to the new subsidiary).

Non-current assets amounted to 1,273 million yen, which is an increase of 400 million yen in comparison to the end of the previous consolidated fiscal year (of which, 395 million yen is attributable to the new subsidiary). This is mainly attributable to the addition of the newly consolidated subsidiary underpinning respective increases in property, plant and equipment (net), up by 190 million yen (of which, 169 million yen is attributable to the new subsidiary) and goodwill, up by 176 million yen (of which, 208 million yen is attributable to the new subsidiary).

As of the end of the consolidated fiscal year under review (May 31, 2018), liabilities amounted to 2,914 million yen, which is an increase of 1,034 million yen in comparison to the end of the previous consolidated fiscal year (of which, 351 million yen is attributable to the new subsidiary). This is mainly attributable to respective increases in income taxes payable, up by 189 million yen (of which, 53 million yen is attributable to the new subsidiary) and bonds and loans payable including the current portions thereof, up by 591 million yen (of which, 202 million yen is attributable to the new subsidiary).

As of the end of the consolidated fiscal year under review (May 31, 2018), net assets amounted to 3,682 million yen, which is an increase of 548 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 686 million yen, and despite a decrease in retained earnings due to year-end dividends in the previous fiscal year of 114 million yen, and a 97 million yen increase in treasury shares.

(3) Overview of cash flows for the fiscal year under review

For the consolidated fiscal year under review, cash and cash equivalents amounted to 2,220 million yen, which is an increase of 285 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 463 million yen (in comparison with net cash used in operating activities of 280 million yen in the previous fiscal year). This is mainly a result of having recorded 986 million yen in profit before income taxes, and despite having recorded an increase of 538 million yen in inventories.

(Cash flow from investing activities)

Net cash provided by investing activities during the consolidated fiscal year under review amounted to 26 million yen (in comparison with net cash used in operating activities of 81 million yen in the previous fiscal year). This is mainly a result of having recorded 364 million yen in net proceeds from time deposits and 178 million yen in proceeds from cancellation of insurance reserve funds, and despite having recorded 95 million yen in purchases property, plant and equipment and intangible assets, and 426 million yen for the purchase of shares of the newly consolidated subsidiary.

(Cash flow from financing activities)

Net cash used in financing activities during the consolidated fiscal year under review amounted to 205 million yen (in comparison with net cash used in financing activities of 153 million yen in the previous fiscal year). This is mainly a result of having recorded 251 million yen in net repayments of short-term and long-term loans payable and 114 million yen in cash dividends paid, and despite having recorded 225 million yen in net proceeds from bonds.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2016	For the fiscal year ended May 31, 2017	For the fiscal year ended May 31, 2018
Shareholders' equity ratio (%)	48.2	62.5	55.8
Shareholders' equity ratio at market value (%)	69.5	158.7	204.3
Debt repayment period (years)	—	—	3.3
Interest coverage ratio (times)	—	—	25.7

(Notes) Shareholders' equity ratio: $\text{Shareholders' equity} \div \text{Total assets}$

Shareholders' equity ratio at market value: $\text{Market capitalization} \div \text{Total assets}$

Debt repayment period: $\text{Interest-bearing debt} \div \text{Cash flow from operating activities}$

Interest coverage ratio: $\text{Cash flow from operating activities} \div \text{Payment of interest}$

* Market capitalization is calculated by multiplying the closing price of the Company's shares at the fiscal year-end by the number of shares outstanding at end of period.

* Debt repayment periods and interest coverage ratios are not stated for the fiscal years ended May 31, 2016 and May 31, 2017, due to negative operating cash flow for those years.

(4) Forecasts

1) Overall outlook

Despite the possibility of a modest recovery during the next consolidated fiscal year (fiscal year ending May 31, 2019), the uncertain economic environment is likely to persist particularly as a result of potential developments with respect to economic policy in the U.S. and Europe.

With respect to markets served by the Inter Action Group, in the image sensor industry we envision a scenario of healthy capital investment both in Japan and overseas.

As for the printing machinery industry, we expect to see sluggish capital investment in Japan.

In the FPD and organic EL display industry, we anticipate healthy demand for capital investment by manufacturers of FPDs and organic EL display in China, but lackluster capital investment by manufacturers of organic EL display manufacturers in South Korea.

Amid that environment, the Inter Action Group will devise ingenious means of addressing customer needs underpinned by our “the customer comes first” approach, which has been our motto since the company was founded.

Our outlook with respect to financial results for the fiscal year ending May 31, 2019, is as follows.

(Millions of yen)

	For the fiscal year ended May 31, 2018 (Actual)	For the fiscal year ending May 31, 2019 (Forecast)	Year-on-year rate (%)
Net sales	6,009	6,148	2.3
Operating income	1,006	1,001	(0.4)
Ordinary income	988	1,010	2.3
Profit attributable to owners of parent	686	606	(11.7)

2) Business outlook by segment

In the Internet of things related works segment, we expect demand for the Company's products to remain robust, driven by new capital investment geared to in-vehicle cameras, in addition to that for conventional smartphones, tablet devices and digital cameras. To address this situation, the Inter Action Group will firmly tap demand for capital investment by developing new products tailored to needs with respect to existing optical technologies and development of advanced optical technologies.

We forecast net sales in this segment for the full year of 2,612 million yen.

(Millions of yen)

	For the fiscal year ended May 31, 2018 (Actual)	For the fiscal year ending May 31, 2019 (Forecast)	Year-on-year rate (%)
Net sales	2,722	2,612	(4.0)

In the environmental energy related works segment, we expect to see sluggish demand for capital investment involving this segment's mainstay business of drying deodorizers for web offset printing presses. To address this situation, the Inter Action Group will heighten productivity particularly with respect to design modifications, and will also redouble efforts involving the business of maintenance services which deliver high added-value and also sales of exhaust gas treatment systems for the Chinese market.

We forecast net sales in this segment for the full year of 1,303 million yen.

(Millions of yen)

	For the fiscal year ended May 31, 2018 (Actual)	For the fiscal year ending May 31, 2019 (Forecast)	Year-on-year rate (%)
Net sales	1,239	1,303	5.2

In the promotion business of Industry 4.0 segment, we expect precision vibration isolation systems for the Chinese market to generate robust demand with respect to applications on production lines for manufacturing FPDs and organic EL displays, the mainstay business of this segment. Meanwhile, we expect to see sluggish demand with respect to precision vibration isolation systems for the South Korean market. To address this situation, the Inter Action Group will take steps that include developing precision vibration isolation systems for factories, redoubling efforts to sell gear measuring instruments of Tokyo Technical Instruments Inc., and upgrading our lineup of Olasonic brand audio products.

We forecast net sales in this segment for the full year of 2,232 million yen.

(Millions of yen)			
	For the fiscal year ended May 31, 2018 (Actual)	For the fiscal year ending May 31, 2019 (Forecast)	Year-on-year rate (%)
Net sales	2,047	2,232	9.0

2. Basic Policy on the Selection of Accounting Standards

The Inter Action Group prepares its consolidated financial statements 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. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	1,945,384	2,253,833
Notes and accounts receivable - trade	1,186,779	1,235,614
Electronically recorded monetary claims - operating	238,372	403,011
Operational investment securities	69,469	60,884
Merchandise and finished goods	23,913	92,536
Work in process	290,351	686,350
Raw materials and supplies	223,123	440,443
Deferred tax assets	89,690	85,075
Other	85,379	80,841
Allowance for doubtful accounts	(10,217)	(14,846)
Total current assets	4,142,247	5,323,746
Non-current assets		
Property, plant and equipment		
Buildings and structures	459,540	673,888
Accumulated depreciation	(237,752)	(375,083)
Buildings and structures, net	221,788	298,804
Machinery, equipment and vehicles	247,828	501,958
Accumulated depreciation	(193,544)	(411,630)
Machinery, equipment and vehicles, net	54,283	90,328
Land	105,002	169,901
Other	264,152	317,856
Accumulated depreciation	(199,840)	(241,213)
Other, net	64,312	76,643
Total property, plant and equipment	445,386	635,678
Intangible assets		
Goodwill	243,057	419,949
Other	57,748	55,244
Total intangible assets	300,806	475,193
Investments and other assets		
Investment securities	233,642	30,658
Deferred tax assets	16,309	22,849
Other	136,025	113,964
Allowance for doubtful accounts	(259,214)	(4,737)
Total investments and other assets	126,763	162,734
Total non-current assets	872,956	1,273,607
Total assets	5,015,203	6,597,353

(Unit: Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	495,596	482,446
Short-term loans payable	200,000	160,000
Current portion of bonds	40,000	90,000
Current portion of long-term loans payable	212,016	395,524
Income taxes payable	67,785	257,548
Provision for product warranties	4,801	9,134
Provision for director stock benefits	41,904	141,244
Other	195,511	335,808
Total current liabilities	1,257,615	1,871,706
Non-current liabilities		
Bonds payable	30,000	210,000
Long-term loans payable	475,315	693,505
Deferred tax liabilities	22,688	24,797
Provision for stock benefits	2,055	2,308
Net defined benefit liability	81,998	84,322
Asset retirement obligations	10,133	10,138
Other	996	18,109
Total non-current liabilities	623,186	1,043,181
Total liabilities	1,880,801	2,914,887
Net assets		
Shareholders' equity		
Capital stock	610,982	610,982
Capital surplus	1,513,063	1,570,286
Retained earnings	1,232,357	1,804,372
Treasury shares	(220,127)	(317,263)
Total shareholders' equity	3,136,276	3,668,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	2,049
Foreign currency translation adjustment	(1,875)	12,038
Total accumulated other comprehensive income	(1,875)	14,088
Total net assets	3,134,401	3,682,465
Total liabilities and net assets	5,015,203	6,597,353

(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, 2017 (June 1, 2016 – May 31, 2017)	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)
Net sales	5,369,179	6,009,224
Cost of sales	3,560,397	3,329,723
Gross profit	1,808,782	2,679,500
Selling, general and administrative expenses		
Sales commission	60,024	101,689
Directors' compensations	236,072	271,858
Salaries and allowances	237,514	288,489
Retirement benefit expenses	12,977	13,857
Provision for product warranties	4,120	39,386
Research and development expenses	68,089	109,028
Commission fee	153,155	219,104
Other	601,350	629,852
Total selling, general and administrative expenses	1,373,304	1,673,267
Operating income	435,477	1,006,232
Non-operating income		
Interest income	1,156	581
Dividend income	0	100
Income from assets for rent	6,486	11,922
Compensation income	—	16,000
Subsidy income	9,629	7,824
Miscellaneous income	14,928	8,463
Total non-operating income	32,201	44,891
Non-operating expenses		
Interest expenses	21,029	17,844
Expenses of assets for rent	13,208	11,728
Foreign exchange losses	10,745	1,318
Share of loss of entities accounted for using equity method	53	97
Commission fee	—	21,000
Bond issuance cost	—	4,824
Miscellaneous loss	5,438	6,006
Total non-operating expenses	50,475	62,818
Ordinary income	417,203	988,305
Extraordinary income		
Gain on sales of non-current assets	108	—
Gain on sales of shares of subsidiaries and associates	115,029	—
Total extraordinary income	115,138	—
Extraordinary losses		
Loss on retirement of non-current assets	110	864
Loss on sales of non-current assets	509	810
Loss on sales of shares of subsidiaries and associates	2,988	—
Total extraordinary losses	3,607	1,675
Profit before income taxes	528,734	986,630
Income taxes - current	121,492	295,977
Income taxes - deferred	12,732	4,048
Total income taxes	134,224	300,025
Profit	394,509	686,604
Profit attributable to owners of parent	394,509	686,604

(Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2017 (June 1, 2016 – May 31, 2017)	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)
Profit	394,509	686,604
Other comprehensive income		
Valuation difference on available-for-sale securities	—	2,049
Foreign currency translation adjustment	10,947	13,400
Share of other comprehensive income of entities accounted for using equity method	(181)	513
Total other comprehensive income	10,766	15,963
Comprehensive income	405,276	702,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	405,276	702,567
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in shareholders' equity

For the fiscal year ended May 31, 2017 (June 1, 2016 – May 31, 2017)

(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	1,513,063	896,591	(185,656)	2,834,981
Changes of items during period					
Dividends of surplus			(58,743)		(58,743)
Profit attributable to owners of parent			394,509		394,509
Purchase of treasury shares				(78,770)	(78,770)
Transfer of treasury shares by trust				44,299	44,299
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	335,766	(34,470)	301,295
Balance at end of current period	610,982	1,513,063	1,232,357	(220,127)	3,136,276

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	(12,641)	(12,641)	2,822,340
Changes of items during period			
Dividends of surplus			(58,743)
Profit attributable to owners of parent			394,509
Purchase of treasury shares			(78,770)
Transfer of treasury shares by trust			44,299
Net changes of items other than shareholders' equity	10,766	10,766	10,766
Total changes of items during period	10,766	10,766	312,061
Balance at end of current period	(1,875)	(1,875)	3,134,401

For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)

(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	1,513,063	1,232,357	(220,127)	3,136,276
Changes of items during period					
Dividends of surplus			(114,590)		(114,590)
Profit attributable to owners of parent			686,604		686,604
Purchase of treasury shares				(34)	(34)
Disposal of treasury shares		57,223		41,723	98,947
Purchase of treasury shares by trust				(138,825)	(138,825)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	57,223	572,014	(97,136)	532,100
Balance at end of current period	610,982	1,570,286	1,804,372	(317,263)	3,668,377

	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	—	(1,875)	(1,875)	3,134,401
Changes of items during period				
Dividends of surplus				(114,590)
Profit attributable to owners of parent				686,604
Purchase of treasury shares				(34)
Disposal of treasury shares				98,947
Purchase of treasury shares by trust				(138,825)
Net changes of items other than shareholders' equity	2,049	13,913	15,963	15,963
Total changes of items during period	2,049	13,913	15,963	548,064
Total changes of items during period	2,049	12,038	14,088	3,682,465

(4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2017 (June 1, 2016 – May 31, 2017)	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)
Cash flows from operating activities		
Profit before income taxes	528,734	986,630
Depreciation	66,071	104,977
Amortization of goodwill	50,684	48,208
Increase (decrease) in allowance for doubtful accounts	5,177	(6,079)
Increase (decrease) in provision for product warranties	(3,340)	2,299
Increase (decrease) in provision for stock benefits	107	253
Increase (decrease) in provision for director stock benefits	41,904	99,340
Increase (decrease) in net defined benefit liability	8,424	1,626
Interest and dividend income	(1,156)	(681)
Interest expenses and guarantees	22,536	19,245
Foreign exchange losses (gains)	(128)	5,283
Loss on valuation of inventories	12,257	13,436
Commission fee	—	21,000
Bond issuance cost	—	4,824
Loss on retirement of property, plant and equipment	110	864
Loss (gain) on sales of property, plant and equipment	400	810
Loss (gain) on sales of shares of subsidiaries and associates	(112,040)	—
Decrease (increase) in notes and accounts receivable - trade	(553,523)	(110,024)
Decrease (increase) in inventories	(329,289)	(538,121)
Decrease (increase) in investment securities for sale	17,514	8,585
Increase (decrease) in notes and accounts payable - trade	117,745	(172,217)
Increase/decrease in other assets/liabilities	(25,028)	111,347
Subtotal	(152,839)	601,607
Interest and dividend income received	1,154	666
Interest and guarantees paid	(21,856)	(18,075)
Income taxes paid	(107,239)	(120,301)
Net cash provided by (used in) operating activities	(280,780)	463,897
Cash flows from investing activities		
Payments into time deposits	—	(23,396)
Proceeds from withdrawal of time deposits	27,000	387,760
Purchase of property, plant and equipment	(67,762)	(82,265)
Proceeds from sales of property, plant and equipment	1,383	3,304
Purchase of other intangible assets	(52,449)	(12,864)
Purchase of investment securities	—	(120)
Proceeds from sales of investment securities	—	1,087
Proceeds from sales of shares of subsidiaries and associates	551	10,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(426,334)
Payments for transfer of business	(53,250)	—
Proceeds from cancellation of insurance reserve funds	—	178,836
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	95,215	—
Payments for lease and guarantee deposits	(33,487)	(6,659)
Proceeds from collection of lease and guarantee deposits	607	791
Other, net	413	(4,015)
Net cash provided by (used in) investing activities	(81,778)	26,125

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2017 (June 1, 2016 – May 31, 2017)	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	349,514	(60,000)
Proceeds from long-term loans payable	100,000	520,000
Repayments of long-term loans payable	(410,076)	(711,489)
Proceeds from issuance of bonds	—	295,175
Redemption of bonds	(50,000)	(70,000)
Repayments of finance lease obligations	(4,705)	(3,917)
Purchase of treasury shares	(78,770)	(138,860)
Proceeds from sales of treasury shares	—	98,947
Cash dividends paid	(59,104)	(114,314)
Payments of commission fees	—	(21,000)
Net cash provided by (used in) financing activities	(153,141)	(205,458)
Effect of exchange rate change on cash and cash equivalents	6,323	884
Net increase (decrease) in cash and cash equivalents	(509,376)	285,448
Cash and cash equivalents at beginning of period	2,444,757	1,935,380
Cash and cash equivalents at end of period	1,935,380	2,220,828

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Segment information)

1. Overview of reportable segments

The Inter Action Group's reportable segments are 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 Company has withdrawn from the renewable energy-related business upon, having sold, during the previous third quarter (ended February 28, 2017), all of its shareholdings of BIJ Corporation (now TRASTA Co., Ltd.), which had been engaged in the renewable energy business constituting the environmental energy related works segment.

Moreover during the first quarter (ended August 31, 2017), the Company acquired all shares of Tokyo Technical Instruments Inc., which engages in planning, design, manufacture and sales of gear testing machines. As such, Tokyo Technical Instruments and its subsidiary Taiwan Tokyo Technical Instruments Corp. are now included as part of the promotion business of Industry 4.0 segment.

Consequently, 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 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 inventories. The Company measures inventory assets at values prior to writing down 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, 2017 (June 1, 2016 – May 31, 2017)

(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	1,320,943	1,642,523	2,405,713	5,369,179	—	5,369,179
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	1,320,943	1,642,523	2,405,713	5,369,179	—	5,369,179
Segment income (loss) ^{*2}	637,455	33,323	327,208	997,987	(562,509)	435,477
Segment assets	2,627,739	1,035,978	1,321,662	4,985,380	29,823	5,015,203
Other items						
Depreciation	24,416	23,610	6,693	54,719	11,351	66,071
Increases in property, plant and equipment, and intangible assets	61,042	36,749	22,421	120,212	—	120,212

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

- (1) The adjusted amount of segment income includes negative 550,252,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations) and negative 12,257,000 yen in inventory adjustments.
- (2) The adjusted amount of segment assets includes Company-wide assets of 29,823,000 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.

3. During the third quarter (ended February 28, 2018), the Company sold all of its shares in BIJ Corporation (environmental energy related works segment and promotion business of Industry 4.0 segment). As such, BIJ Corporation and its subsidiary Cuon, Inc. (promotion business of Industry 4.0 segment) have been excluded from the scope of consolidation. The entity is included in the consolidation with respect to profit and loss up to the presumed date of sale (February 28, 2017).

For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)

(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	2,722,789	1,239,066	2,047,368	6,009,224	—	6,009,224
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	2,722,789	1,239,066	2,047,368	6,009,224	—	6,009,224
Segment income (loss)*2	1,491,209	100,756	30,057	1,622,023	(615,790)	1,006,232
Segment assets	3,198,306	989,745	2,378,025	6,566,077	31,276	6,597,353
Other items						
Depreciation	50,175	12,359	24,910	87,445	17,532	104,977
Increases in property, plant and equipment, and intangible assets	70,505	298	24,327	95,130	—	95,130

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

- (1) The adjusted amount of segment income includes negative 602,353,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations) and negative 13,436,000 yen in inventory adjustments.
 - (2) The adjusted amount of segment assets includes Company-wide assets of 31,276,000 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.
 3. With the Company having acquired during the first quarter (ended August 31, 2017) all shares of Tokyo Technical Instruments Inc. which engages in planning, design, manufacture and sales of gear testing machines, Tokyo Technical Instruments and its subsidiary Taiwan Tokyo Technical Instruments Corp. has been include in the promotion business of Industry 4.0 segment.

(Information per share)

	Previous consolidated fiscal year (June 1, 2016 to May 31, 2017)	Current consolidated fiscal year (June 1, 2017 to May 31, 2018)
Net assets per share	329.71 yen	389.62 yen
Net income per share	41.52 yen	72.58 yen

(Notes) 1. Diluted net income per share is not presented because there were no dilutive shares.

2. The basis for calculating net income per share is as follows.

	Previous consolidated fiscal year (June 1, 2016 to May 31, 2017)	Current consolidated fiscal year (June 1, 2017 to May 31, 2018)
Net income per share		
Net income attributable to the parent company (thousands of yen)	394,509	686,604
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to the parent company and available to common shareholders (thousands of yen)	394,509	686,604
Average number of shares of common stock during the fiscal year (shares)	9,501,059	9,460,601

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 42,528 Company shares as of the end of the previous consolidated fiscal year (May 31, 2017), and 203,428 shares as of the end of the consolidated fiscal year under review (May 31, 2018). 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 62,735 Company shares during the previous consolidated fiscal year, and 123,606 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, 2018

(1) Status of production, orders and sales

1) Production results

Segment	Previous consolidated fiscal year (June 1, 2016 to May 31, 2017)	Current consolidated fiscal year (June 1, 2017 to May 31, 2018)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	1,320,780	2,722,789	1,402,008	106.2
Environmental energy related works	1,523,787	1,311,461	(212,325)	(13.9)
Promotion business of Industry 4.0	2,560,410	2,346,095	(214,314)	(8.4)
Total	5,404,978	6,380,346	975,367	18.0

- (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 results achieved with respect to outsourcing.

2) Orders received

Segment	Previous consolidated fiscal year (June 1, 2016 to May 31, 2017)		Current consolidated fiscal year (June 1, 2017 to May 31, 2018)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things related works	1,519,394	437,622	2,903,581	618,414	1,384,187	180,792
Environmental energy related works	1,400,009	369,907	1,216,319	347,160	(183,690)	(22,747)
Promotion business of Industry 4.0	2,552,711	178,464	2,103,764	261,950	(448,947)	(83,485)
Total	5,472,115	985,994	6,223,665	1,227,525	751,549	241,530

- (Notes) 1. Consumption taxes are not included in the above amounts.
2. The above amounts do not include results of the operations of Olasonic which engages in make-to-stock production (promotion business of Industry 4.0 segment).

3) Sales results

Segment	Previous consolidated fiscal year (June 1, 2016 to May 31, 2017)	Current consolidated fiscal year (June 1, 2017 to May 31, 2018)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	1,320,943	2,722,789	1,401,845	106.1
Environmental energy related works	1,642,523	1,239,066	(403,456)	(24.6)
Promotion business of Industry 4.0	2,405,713	2,047,368	(358,344)	(14.9)
Total	5,369,179	6,009,224	640,044	11.9

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