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July 12, 2019

Consolidated Financial Results for the Fiscal Year Ended May 31, 2019 <Japanese GAAP>

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 Listed stock exchange: Tokyo
 Securities code: 7725
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 Planned Date of General Shareholders' Meeting: August 23, 2019
 Planned Commencement Date of Dividend Payments: August 26, 2019
 Planned Filing Date of Securities Report: August 27, 2019
 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, 2019 (June 1, 2018 to May 31, 2019)

(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, 2019	7,986	32.9	1,980	96.8	1,943	96.7	1,386	101.9
May 31, 2018	6,009	11.9	1,006	131.1	988	136.9	686	74.0

(Note) Comprehensive income: the fiscal year ended May 31, 2019: ¥1,362 million / 93.9%
 the fiscal year ended May 31, 2018: ¥702 million / 73.4%

	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, 2019	141.13	141.05	25.2	22.9	24.8
May 31, 2018	72.58	—	20.1	17.0	16.7

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2019: (¥7 million)
 the fiscal year ended May 31, 2018: (¥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, 2019	10,388	7,306	70.3	661.44
As of May 31, 2018	6,573	3,682	56.0	389.62

(Reference) Shareholders' equity: As of May 31, 2019: ¥7,306 million
 As of May 31, 2018: ¥3,682 million

(Note) “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended May 31, 2019. The figures presented for the fiscal year ended May 31, 2018 reflect amounts subsequent to the retrospective application of the aforementioned standard.

(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, 2019	943	(143)	1,754	4,766
May 31, 2018	463	26	(205)	2,220

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, 2018	—	0.00	—	13.00	13.00	125	17.9	3.6
May 31, 2019	—	0.00	—	18.00	18.00	199	12.8	3.4
For the fiscal year ending May 31, 2020 (Forecast)	—	0.00	—	18.00	18.00		14.2	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2020 (June 1, 2019 to May 31, 2020)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,889	11.3	2,122	7.2	2,109	8.5	1,395	0.7	126.33

(Note) The Company has implemented an ESOP and Directors' stock compensation plan both in the form of stock benefit trusts.

Accordingly, profit per share is calculated based on the average number of shares during the fiscal year, excluding the number of treasury shares, which includes Inter Action stock held by the stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts.

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

(2) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: None

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

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

As of May 31, 2019	11,510,200 shares
As of May 31, 2018	10,052,100 shares

(ii) Number of treasury shares at end of period

As of May 31, 2019	463,156 shares
As of May 31, 2018	600,754 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2019	9,822,478 shares
Fiscal year ended May 31, 2018	9,460,601 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, 2019 (June 1, 2018 to May 31, 2019)

(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, 2019	5,233	76.5	1,769	125.3	1,986	123.1	1,501	115.7
May 31, 2018	2,964	86.9	785	992.2	890	353.8	696	134.9

	Profit per share		Profit per share—diluted	
For the fiscal year ended	Yen		Yen	
May 31, 2019	152.88		152.79	
May 31, 2018	73.59		—	

(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, 2019	9,224	7,009	76.0	634.53
As of May 31, 2018	4,923	3,245	65.9	343.43

(Reference) Shareholders' equity: As of May 31, 2019: ¥7,009 million

As of May 31, 2018: ¥3,245 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended May 31, 2019. The figures presented for the fiscal year ended May 31, 2018 reflect amounts subsequent to the retrospective application of the aforementioned standard.

* 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
(Changes in the reporting method)	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, 2019.....	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

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

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

In the current image sensor market, demand for smartphone image sensors is anticipated to grow, as smartphones equipped with multiple cameras are becoming popular. It is also anticipated that, over the medium- to long-term, demand will increase for vehicle image sensors, which are vital for self-driving vehicles. That accounts for image sensor manufacturers' high appetite for capital investment to boost production capacity.

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 hardly any competition, the Inter Action Group is able to stably capture this demand at present. Moreover, we plan to put effort into overseas expansion in the future.

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 them to display manufacturers. We also manufacture gear testing systems for investigating whether gears are the shape as designed and sell them to gear manufacturers.

In the flat-panel and organic EL display industry, we foresee latent capital investment appetite among manufacturers, despite an ongoing situation where capital investment continues to slacken at present.

Moreover the gear testing systems market has been susceptible to the business cycle, but the size of the market has continued to remain largely unchanged. Since gear testing machines are most often used mainly 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.

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 32.9% to 7,986 million yen (in comparison with 6,009 million yen in the previous fiscal year); gross profit increased by 44.0% to 3,859 million yen largely due to the increase in net sales (in comparison with 2,679 million yen in the previous fiscal year); operating income increased by 96.8% to 1,980 million yen (in comparison with 1,006 million yen in the previous fiscal year); ordinary income increased by 96.7% to 1,943 million yen (in comparison with 988 million yen in the previous fiscal year), and; final profit attributable to owners of parent increased by 101.9% to 1,386 million yen (in comparison with 686 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, 2019	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,571	2,262	1,716	2,435	7,986
Operating income	219	644	342	773	1,980
Ordinary income	209	633	337	763	1,943
Profit attributable to owners of parent	136	423	204	621	1,386

Moreover, with respect to Company's non-consolidated financial results, net sales in the Internet of things related works increased by 82.6% to 4,971 million yen (in comparison with 2,722 million yen in the previous fiscal year). Net sales in the environmental energy related works were 0 million yen (6 million yen in the previous fiscal year). Net sales in the promotion business of Industry 4.0 increased by 10.5% to 260 million yen (in comparison with 235 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 76.5% to 5,233 million yen (in comparison with 2,964 million yen in the previous fiscal year); operating income increased by 125.3% to 1,769 million yen (in comparison with 785 million yen in the previous fiscal year); ordinary income increased by 123.1% to 1,986 million yen (in comparison with 890 million yen in the previous fiscal year), and; final profit increased by 115.7% to 1,501 million yen (in comparison with 696 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 been actively undertaking capital investment against a backdrop of growing demand for image sensors primarily brought about by a shift to multiple lenses in smartphone cameras. As a result, we posted strong sales of our inspection illuminators and pupil lens modules for CCD and CMOS image sensors, the Inter Action Group's mainstay products.

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 82.6% to 4,971 million yen (in comparison with 2,722 million yen in the previous fiscal year), and segment income increased by 73.8% to 2,591 million yen (in comparison with 1,491 million yen in the previous fiscal year).

(Environmental energy related works)

In the Japanese market, we have been able to steadily tap demand for printing machinery upgrades and maintenance, yet have encountered deteriorating appetite for capital investment among printing machinery manufacturers due to increasing prices for paper used for printing. As a result, we generated sluggish net sales with respect to this segment's mainstay product, drying deodorizers for web offset printing presses.

On the other hand, we focused our efforts on increasing sales of products for overseas markets and made progress particularly in terms of having made delivery our first exhaust gas treatment system to China.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 8.6% to 1,131 million yen (in comparison with 1,239 million yen in the previous fiscal year), and segment income decreased by 46.2% to 54 million yen (in comparison with 100 million yen in the previous fiscal year).

(Promotion business of Industry 4.0)

Although domestic demand for precision vibration isolation systems was relatively favorable, appetite for capital investment among overseas manufacturers continued to wane throughout the year.

In the gears industry, sales of gear testing systems have slowed amid effects of customers taking a prudent approach with respect to capital investment decisions due to issues that include souring relations between the U.S. and China. On the other hand, we made progress with respect to tapping new markets, having hosted an exhibit at a machine tool trade show held in Turkey in early April 2019.

During the consolidated fiscal year under review, net sales to this segment's external customers decreased by 8.0% to 1,882 million yen (in comparison with 2,047 million yen in the previous fiscal year), and segment income increased by 116.6% to 65 million yen (in comparison with 30 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, 2019), total assets amounted to 10,388 million yen, which is an increase of 3,815 million yen in comparison to the amount held at the end of the previous consolidated fiscal year on May 31, 2018.

Current assets amounted to 8,911 million yen, which is an increase of 3,672 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in cash and deposits, up by 2,545 million yen, electronically recorded monetary claims - operating, up by 997 million yen, and work in process, up by 187 million yen.

Non-current assets amounted to 1,477 million yen, which is an increase of 142 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to an increase in deferred tax assets, up by 107 million yen.

As of the end of the consolidated fiscal year under review (May 31, 2019), liabilities amounted to 3,082 million yen, which is an increase of 190 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective increases in income taxes payable, up by 265 million yen, advances received (current liabilities, other), up by million yen, and accounts payable - other (current liabilities, other), up by 106 million yen, and despite a decrease in bonds and loans payable including the current portions thereof, down by 495 million yen.

As of the end of the consolidated fiscal year under review (May 31, 2019), net assets amounted to 7,306 million yen, which is an increase of 3,624 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to having recorded issuance of new shares through execution of subscription rights to shares of 2,298 million yen, profit attributable to owners of parent of 1,386 million yen, and transfer of treasury shares by trust of 139 million yen, and despite year-end dividends in the previous fiscal year of 125 million yen and purchase of treasury shares of 49 million yen.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the consolidated fiscal year under review. Financial data for comparison with the previous consolidated fiscal year reflect amounts subsequent to retrospective application of the aforementioned standard.

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

For the consolidated fiscal year under review, cash and cash equivalents amounted to 4,766 million yen, which is an increase of 2,545 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 943 million yen (in comparison with net cash used in operating activities of 463 million yen in the previous fiscal year). This is mainly a result of having recorded 1,936 million yen in profit before income taxes, and despite having recorded an increase of 709 million yen in accounts receivable and 279 million yen inventories.

(Cash flow from investing activities)

Net cash used by investing activities during the consolidated fiscal year under review amounted to 143 million yen (in comparison with net cash provided in operating activities of 136 million yen in the previous fiscal year). This is mainly a result of having recorded 136 million yen in purchases property, plant and equipment and intangible assets.

(Cash flow from financing activities)

Net cash provided in financing activities during the consolidated fiscal year under review amounted to 1,754 million yen (in comparison with net cash used in financing activities of 205 million yen in the previous fiscal year). This is mainly a result of having recorded and 2,298 million yen in proceeds from issuance of shares resulting from exercise of subscription rights to shares, and despite having recorded 405 million yen in net repayments of short-term and long-term loans payable and 125 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2017	For the fiscal year ended May 31, 2018	For the fiscal year ended May 31, 2019
Shareholders' equity ratio (%)	62.5	55.8	70.3
Shareholders' equity ratio at market value (%)	158.7	205.1	149.2
Debt repayment period (years)	—	3.3	1.1
Interest coverage ratio (times)	—	25.7	72.3

(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 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 year ended May 31, 2017, due to negative operating cash flow for those years.

(4) Forecasts

1) Overall outlook

During the next consolidated fiscal year (fiscal year ending May 31, 2020), the uncertain economic environment is likely persist amid adverse effects of factors that include mounting tensions between Iran and the U.S., Sino-American trade friction, and moves by Japan to tighten controls on exports to South Korea.

Given those circumstances, we believe that the Internet of things related works segment will act as a primary driver of the Inter Action Group's operating results going forward, following on from the consolidated fiscal year under review.

In the environmental energy related works and promotion business of Industry 4.0 segments, we will promote future growth by placing focus on overseas expansion, while also ensuring consistent sales and profits, and securing foundations of the Group.

Specific financial results forecasts for the fiscal year ending May 31, 2020, are as follows:

(Millions of yen)			
	For the fiscal year ended May 31, 2019 (Actual)	For the fiscal year ending May 31, 2020 (Forecast)	Year-on-year rate (%)
Net sales	7,986	8,889	11.3
Operating income	1,980	2,122	7.2
Ordinary income	1,943	2,109	8.5
Profit attributable to owners of parent	1,386	1,395	0.7

2) Business outlook by segment

[1] Internet of things related works

We anticipate a persisting scenario whereby appetite for capital investment remains high among image sensor manufacturers amid increasing popularity of smartphones equipped with multiple cameras and mounting demand for vehicle image sensors, which are vital for self-driving vehicles.

As such, demand for the Company's inspection illuminators and pupil lens modules, its mainstay products, is likely to continue at high levels.

The Inter Action Group will firmly tap demand for capital investment in that regard by rigorously improving quality and adhering to delivery schedules.

We forecast net sales in this segment for the full year of 5,600 million yen.

(Millions of yen)			
	For the fiscal year ended May 31, 2019 (Actual)	For the fiscal year ending May 31, 2020 (Forecast)	Year-on-year rate (%)
Net sales	4,971	5,600	12.6

[2] Environmental energy related works

Despite the likelihood of encountering persistently harsh conditions with respect to new capital investment in the printing industry, we expect sales to remain at levels on par with those of the consolidated fiscal year under review as a result of our efforts to firmly tap demand for replacement of web offset printing presses due to age-related degradation, as well as demand for maintenance. Moreover, we will also set our sights on overseas sales of exhaust gas treatment systems for the Chinese market.

We forecast net sales in this segment for the full year of 1,203 million yen.

(Millions of yen)			
	For the fiscal year ended May 31, 2019 (Actual)	For the fiscal year ending May 31, 2020 (Forecast)	Year-on-year rate (%)
Net sales	1,131	1,203	6.3

[3] Promotion business of Industry 4.0

Whereas net sales of precision vibration isolation systems are likely to remain subdued, sales of gear testing systems are likely to remain firm as a result of our redoubling efforts to make sales to overseas markets.

Moreover, we will aggressively take on efforts in our new business related to FA (factory automation) image processing with the aim of achieving commercial viability at an early stage.

We forecast net sales in this segment for the full year of 2,086 million yen.

(Millions of yen)			
	For the fiscal year ended May 31, 2019 (Actual)	For the fiscal year ending May 31, 2020 (Forecast)	Year-on-year rate (%)
Net sales	1,882	2,086	10.8

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. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	2,253,833	4,799,286
Notes and accounts receivable - trade	1,235,614	1,172,506
Electronically recorded monetary claims - operating	403,011	1,400,050
Operational investment securities	60,884	53,441
Merchandise and finished goods	92,536	182,607
Work in process	686,350	873,819
Raw materials and supplies	440,443	429,174
Other	80,841	51,800
Allowance for doubtful accounts	(14,846)	(51,169)
Total current assets	5,238,670	8,911,516
Non-current assets		
Property, plant and equipment		
Buildings and structures	673,888	711,601
Accumulated depreciation	(375,083)	(387,423)
Buildings and structures, net	298,804	324,178
Machinery, equipment and vehicles	501,958	486,404
Accumulated depreciation	(411,630)	(408,520)
Machinery, equipment and vehicles, net	90,328	77,883
Land	169,901	165,149
Other	317,856	424,331
Accumulated depreciation	(241,213)	(287,376)
Other, net	76,643	136,954
Total property, plant and equipment	635,678	704,166
Intangible assets		
Goodwill	419,949	366,113
Other	55,244	47,373
Total intangible assets	475,193	413,487
Investments and other assets		
Investment securities	30,658	33,819
Deferred tax assets	84,375	191,415
Other	113,964	139,557
Allowance for doubtful accounts	(4,737)	(4,993)
Total investments and other assets	224,260	359,798
Total non-current assets	1,335,132	1,477,452
Total assets	6,573,803	10,388,969

(Unit: Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	482,446	513,562
Short-term loans payable	160,000	70,000
Current portion of bonds	90,000	60,000
Current portion of long-term loans payable	395,524	335,043
Income taxes payable	257,548	522,759
Provision for product warranties	9,134	32,532
Provision for director stock benefits	141,244	134,400
Other	335,808	691,716
Total current liabilities	1,871,706	2,360,014
Non-current liabilities		
Bonds payable	210,000	150,000
Long-term loans payable	693,505	438,606
Deferred tax liabilities	1,247	1,830
Provision for stock benefits	2,308	2,644
Net defined benefit liability	84,322	91,462
Asset retirement obligations	10,138	10,144
Other	18,109	27,298
Total non-current liabilities	1,019,631	721,986
Total liabilities	2,891,337	3,082,000
Net assets		
Shareholders' equity		
Capital stock	610,982	1,760,299
Capital surplus	1,570,286	2,719,603
Retained earnings	1,804,372	3,065,143
Treasury shares	(317,263)	(228,185)
Total shareholders' equity	3,668,377	7,316,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,049	—
Foreign currency translation adjustment	12,038	(9,893)
Total accumulated other comprehensive income	14,088	(9,893)
Total net assets	3,682,465	7,306,968
Total liabilities and net assets	6,573,803	10,388,969

(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, 2018 (June 1, 2017 – May 31, 2018)	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)
Net sales	6,009,224	7,986,421
Cost of sales	3,329,723	4,127,101
Gross profit	2,679,500	3,859,319
Selling, general and administrative expenses		
Sales commission	101,689	194,275
Directors' compensations	271,858	297,720
Salaries and allowances	288,489	308,044
Retirement benefit expenses	13,857	16,048
Provision for product warranties	39,386	36,346
Research and development expenses	109,028	106,779
Commission fee	219,104	156,416
Other	629,852	763,558
Total selling, general and administrative expenses	1,673,267	1,879,190
Operating income	1,006,232	1,980,129
Non-operating income		
Interest income	581	1,011
Dividend income	100	180
Income from assets for rent	11,922	12,716
Compensation income	16,000	-
Subsidy income	7,824	-
Miscellaneous income	8,463	5,548
Total non-operating income	44,891	19,456
Non-operating expenses		
Interest expenses	17,844	11,808
Expenses of assets for rent	11,728	29,059
Foreign exchange losses	1,318	5,425
Share of loss of entities accounted for using equity method	97	7,200
Commission fee	21,000	-
Bond issuance cost	4,824	-
Miscellaneous loss	6,006	2,164
Total non-operating expenses	62,818	55,659
Ordinary income	988,305	1,943,927
Extraordinary income		
Gain on sales of non-current assets	—	2,026
Total extraordinary income	—	2,026
Extraordinary losses		
Loss on retirement of non-current assets	864	7,587
Loss on sales of non-current assets	810	-
Loss on sales of investment securities	—	1,534
Total extraordinary losses	1,675	9,122
Profit before income taxes	986,630	1,936,831
Income taxes - current	295,977	656,369
Income taxes - deferred	4,048	(105,821)
Total income taxes	300,025	550,547
Profit	686,604	1,386,283
Profit attributable to owners of parent	686,604	1,386,283

(Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)
Profit	686,604	1,386,283
Other comprehensive income		
Valuation difference on available-for-sale securities	2,049	(2,049)
Foreign currency translation adjustment	13,400	(21,495)
Share of other comprehensive income of entities accounted for using equity method	513	(435)
Total other comprehensive income	15,963	(23,981)
Comprehensive income	702,567	1,362,302
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	702,567	1,362,302
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in shareholders' equity

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
Transfer 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
Transfer 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
Balance at end of current period	2,049	12,038	14,088	3,682,465

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
Total changes of items during period	—	(9,893)	(9,893)	7,306,968

(4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)
Cash flows from operating activities		
Profit before income taxes	986,630	1,936,831
Depreciation	104,977	116,988
Amortization of goodwill	48,208	53,835
Increase (decrease) in allowance for doubtful accounts	(6,079)	36,642
Increase (decrease) in provision for product warranties	2,299	23,398
Increase (decrease) in provision for stock benefits	253	336
Increase (decrease) in provision for director stock benefits	99,340	(6,844)
Increase (decrease) in net defined benefit liability	1,626	7,574
Interest and dividend income	(681)	(1,191)
Interest expenses and guarantees	19,245	12,923
Foreign exchange losses (gains)	5,283	(2,747)
Loss on valuation of inventories	13,436	7,661
Commission fee	21,000	—
Bond issuance cost	4,824	—
Loss on retirement of property, plant and equipment	864	3,677
Loss on retirement of intangible assets	—	3,910
Loss (gain) on sales of property, plant and equipment	810	(2,026)
Loss (gain) on sales of investment securities	—	1,534
Decrease (increase) in notes and accounts receivable - trade	(110,024)	(709,314)
Decrease (increase) in inventories	(538,121)	(279,324)
Decrease (increase) in investment securities for sale	8,585	7,442
Increase (decrease) in notes and accounts payable - trade	(172,217)	36,604
Increase/decrease in other assets/liabilities	111,347	132,862
Subtotal	601,607	1,380,776
Interest and dividend income received	666	1,191
Interest and guarantees paid	(18,075)	(13,042)
Income taxes paid	(120,301)	(425,415)
Net cash provided by (used in) operating activities	463,897	943,509
Cash flows from investing activities		
Payments into time deposits	(23,396)	—
Proceeds from withdrawal of time deposits	387,760	—
Purchase of property, plant and equipment	(82,265)	(123,806)
Proceeds from sales of property, plant and equipment	3,304	29,131
Purchase of other intangible assets	(12,864)	(12,614)
Decrease (increase) in notes and accounts receivable - trade	(120)	—
Decrease (increase) in inventories	—	(20,000)
Proceeds from sales of investment securities	1,087	2,817
Proceeds from sales of shares of subsidiaries and associates	10,000	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(426,334)	—
Proceeds from cancellation of insurance reserve funds	178,836	—
Payments for lease and guarantee deposits	(6,659)	(19,069)
Proceeds from collection of lease and guarantee deposits	791	—
Other, net	(4,015)	—
Net cash provided by (used in) investing activities	26,125	(143,541)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2018 (June 1, 2017 – May 31, 2018)	For the fiscal year ended May 31, 2019 (June 1, 2018 – May 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(60,000)	(90,000)
Proceeds from long-term loans payable	520,000	100,000
Repayments of long-term loans payable	(711,489)	(415,380)
Proceeds from issuance of bonds	295,175	—
Redemption of bonds	(70,000)	(90,000)
Repayments of finance lease obligations	(3,917)	(4,278)
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	(138,860)	(49,974)
Proceeds from sales of treasury shares	98,947	130,786
Cash dividends paid	(114,314)	(125,638)
Payments of commission fees	(21,000)	—
Net cash provided by (used in) financing activities	(205,458)	1,754,149
Effect of exchange rate change on cash and cash equivalents	884	(8,664)
Net increase (decrease) in cash and cash equivalents	285,448	2,545,452
Cash and cash equivalents at beginning of period	1,935,380	2,220,828
Cash and cash equivalents at end of period	2,220,828	4,766,280

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in the reporting method)

(Changes associated with application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 February 16, 2018) was adopted from the beginning of the consolidated fiscal year under review. Deferred tax assets are stated under “investments and other assets” and deferred tax liabilities are stated under non-current liabilities.

As a result, in the consolidated balance sheets for the previous consolidated fiscal year, “deferred tax assets” under “current assets” decreased by 85,075,000 yen, “deferred tax assets” under “investments and other assets” increased by 61,525,000 yen, and “deferred tax liabilities” under “non-current liabilities” decreased by 23,550,000 yen.

Total assets have decreased by 23,550,000 yen in comparison with the amount prior to the change, with amounts stated upon having offset deferred tax assets and deferred tax liabilities relating to the same taxable entity.

(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” segments. 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 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, 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	3,188,872	989,745	2,363,909	6,542,527	31,276	6,573,803
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. During the first quarter (ended August 31, 2018), 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.

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 inter-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.

3. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended May 31, 2019. The figures presented for the fiscal year ended May 31, 2018 reflect amounts subsequent to the retrospective application of the aforementioned standard.

(Information per share)

	Previous consolidated fiscal year (June 1, 2017 to May 31, 2018)	Current consolidated fiscal year (June 1, 2018 to May 31, 2019)
Net assets per share	389.62 yen	661.44 yen
Profit per share	72.58 yen	141.13 yen
Profit per share–diluted	—	141.05 yen

(Notes) 1.. The basis for calculating profit per share and profit per share–diluted is as follows.

	Previous consolidated fiscal year (June 1, 2017 to May 31, 2018)	Current consolidated fiscal year (June 1, 2018 to May 31, 2019)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	686,604	1,386,283
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	686,604	1,386,283
Average number of shares of common stock during the fiscal year (shares)	9,460,601	9,822,478
Profit per share–diluted		
Adjustment on profit attributable to owners of parent (millions 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	—	

2. 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 203,428 Company shares as of the end of the previous consolidated fiscal year (May 31, 2018), and 37,528 shares as of the end of the consolidated fiscal year under review (May 31, 2019). 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 123,606 Company shares during the previous consolidated fiscal year, and 88,438 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, 2019

(1) Status of production, orders and sales

1) Production results

Segment	Previous consolidated fiscal year (June 1, 2017 to May 31, 2018)	Current consolidated fiscal year (June 1, 2018 to May 31, 2019)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	2,722,789	4,976,497	2,253,706	82.8
Environmental energy related works	1,311,461	965,258	(346,203)	(26.4)
Promotion business of Industry 4.0	2,346,095	1,876,825	(469,269)	(20.0)
Total	6,380,346	7,818,581	1,438,235	22.5

- (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, 2017 to May 31, 2018)		Current consolidated fiscal year (June 1, 2018 to May 31, 2019)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things related works	2,903,581	618,414	5,559,336	1,199,776	2,655,754	581,361
Environmental energy related works	1,216,319	347,160	1,053,194	340,802	(163,124)	(6,357)
Promotion business of Industry 4.0	2,103,764	261,950	1,577,623	165,882	(526,140)	(96,067)
Total	6,223,665	1,227,525	8,190,154	1,706,461	1,966,489	478,936

- (Notes) 1. Consumption taxes are not included in the above amounts.
2. The above amounts do not include the results of the operations which engage in make-to-stock production.

3) Sales results

Segment	Previous consolidated fiscal year (June 1, 2017 to May 31, 2018)	Current consolidated fiscal year (June 1, 2018 to May 31, 2019)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	2,722,789	4,971,758	2,248,969	82.6
Environmental energy related works	1,239,066	1,131,985	(107,080)	(8.6)
Promotion business of Industry 4.0	2,047,368	1,882,677	(164,691)	(8.0)
Total	6,009,224	7,986,421	1,977,196	32.9

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