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April 10, 2020

## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending May 31, 2020 <Japanese GAAP>

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 Listed stock exchange: Tokyo  
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 Submission of quarterly report: April 13, 2020  
 Dividend payment commencement date: –  
 Preparation of explanatory materials for quarterly financial results: Yes (on page 11)  
 Holding of a briefing on quarterly financial results: No

(Amounts of less than one million yen are truncated)

### 1. Consolidated Financial Results for the Cumulative Third Quarter of the Fiscal Year Ending May 31, 2020 (June 1, 2019 to February 29, 2020)

#### (1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended February 29, 2020	4,949	(10.8)	955	(20.8)	955	(19.1)	618	(19.1)
Nine months ended February 28, 2019	5,550	32.0	1,206	77.8	1,180	71.3	764	62.4

(Note) Comprehensive income: Nine months ended February 29, 2020: ¥601 million / (19.1%)  
 Nine months ended February 28, 2019: ¥744 million / 52.3%

	Profit per share	Profit per share–diluted
	Yen	Yen
Nine months ended February 29, 2020	56.63	—
Nine months ended February 28, 2019	80.26	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of February 29, 2020	9,367	7,495	80.0
As of May 31, 2020	10,388	7,306	70.3

(Reference) Shareholders' equity: As of February 29, 2020: ¥7,495 million  
 As of May 31, 2019: ¥7,306 million

## 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2019	—	0.00	—	18.00	18.00
Fiscal year ending May 31, 2020	—	0.00	—		
Fiscal year ending May 31, 2020 (Forecast)				18.00	18.00

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

## 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	127.72

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

(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 nine months ended February 29, 2020 (changes in specified subsidiaries affecting the scope of consolidation): None

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

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

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

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

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

As of February 29, 2020	11,510,200 shares
As of May 31, 2019	11,510,200 shares

(ii) Number of treasury shares at end of period

As of February 29, 2020	578,556 shares
As of May 31, 2019	463,156 shares

(iii) Average number of shares during period

For the nine months ended February 29, 2020	10,925,581 shares
For the nine months ended February 28, 2019	9,527,157 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.

\* Quarterly 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 "(3) Explanation of forward-looking information including consolidated earnings forecasts" under "1. Qualitative Information on Quarterly Results" (page 3) of the Attached Materials.

## [Attached Materials]

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of operating results

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. Most demand centers around conventional image sensors that capture visible light in order to take photos and videos. However, recently demand has been increasing for image sensors that can capture three-dimensional information such as the distance between objects, which is needed for 3D sensing technology.

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. This accounts for image sensor manufacturers' strong desire 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 minimal competition, the Inter Action Group is able to stably accommodate this demand at present.

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

Investment in production equipment appears to be picking up somewhat in the flat panel and OLED display industries, but with the outlook for the global economy clouded, there are uncertainties regarding the future.

Moreover, the gear testing systems market has essentially conformed to conditions of the machine tools market that has been susceptible to the business cycle, while the size of the market has continued to remain largely unchanged. Since gear testing machines are mainly used in products for the automotive industry, we have been strengthening our marketing efforts in that regard overseas where we anticipate increasing automotive production volume going forward. However, the outlook going forward, including for market trends, has become unclear.

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

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

As a result, consolidated net sales for the nine months ended February 29, 2020 were 4,949 million yen, down 10.8% year on year, and gross profit declined by 7.5% year on year to 2,364 million yen largely due to the fall in net sales. Personnel costs and sales commissions also rose in selling, general and administrative expenses, resulting in operating income of 955 million yen, an decrease of 20.8% year on year, ordinary income of 955 million yen, down 19.1% year on year, and profit attributable to owners of parent less income taxes of 618 million yen, an decrease of 19.1% year on year.

The overall performance of each business segment was as follows.

#### (Internet of things related works)

Image sensor manufacturers, the Company's main customers, have continued to actively undertake capital investment against a backdrop of growing demand for smartphone camera image sensors as well as demand for image sensors required for 3D sensing technology.

Net sales during the third quarter of the consolidated fiscal year under review were weak, partly due to the small order backlog at the end of the second-quarter.

However, in the third quarter of the consolidated fiscal year under review, orders and the backlog of orders increased compared to the same period of the previous fiscal year, and the period in which sales are posted tends to concentrate on the fourth quarter of the consolidated fiscal year. Demand from customers, the impact of the COVID-19 pandemic and other factors have raised many uncertainties about when sales will be posted. We are carefully monitoring the rapidly changing

situation and information as it becomes available.

As far as possible, the Company will aim to post sales in the current consolidated fiscal year.

During the nine months ended February 29, 2020, net sales to this segment's external customers decreased by 3.7% to 3,142 million yen (in comparison with 3,262 million yen in the previous fiscal year), and segment income decreased by 3.2% to 1,540 million yen (in comparison with 1,591 million yen in the previous fiscal year).

#### (Environmental energy related works)

In the Japanese market, signs of a recovery in demand briefly appeared amid persistently harsh conditions with respect to new capital investment in the printing industry. However, desire for capital investment among our customers softened as the COVID-19 pandemic clouded the economic outlook.

During the third quarter of the fiscal year under review, sales weakened and segment income for the three months ended in the red, partly due to an overlap of shipments for low-margin projects that were ordered based on our sales strategy.

During the nine months ended February 29, 2020, consolidated net sales to this segment's external customers decreased by 24.9% to 640 million yen (in comparison with 852 million yen in the previous fiscal year), and segment income decreased by 92.0% to 4 million yen (in comparison with 55 million yen in the previous fiscal year).

#### (Promotion business of Industry 4.0)

Sales of precision vibration isolation systems declined due to a fall in demand for capital investment, primarily in the domestic market. However, an increase in orders in overseas markets pushed the order backlog higher than in the same period of the previous fiscal year.

Sales of gear testing systems rose, as higher domestic sales volume more than offset a decline in overseas sales volume due to a fall in shipments in the major markets of China and South Korea.

In the FA image processing related business, we have developed a technology that captures the details of scratches created during the manufacture of metal gears. We plan to reveal prototypes that use this technology at exhibitions in the next fiscal year.

In the laser processing machines business, we have worked on building an organizational system that is needed mainly for the production of laser processing machines.

During the nine months ended February 29, 2020, consolidated net sales to this segment's external customers decreased by 18.8% to 1,166 million yen (in comparison with 1,435 million yen in the previous fiscal year), and segment income decreased by 27.1% to 48 million yen (in comparison with 65 million yen in the previous fiscal year).

### (2) Explanation of financial position

As of the end of the third quarter of the consolidated fiscal year under review (February 29, 2020), total assets amounted to 9,367 million yen, a decrease of 1,021 million yen in comparison to the amount held at the end of the previous consolidated fiscal year on May 31, 2019.

Current assets amounted to 8,036 million yen, a decrease of 874 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective decreases in notes and accounts receivable – trade, down by 493 million yen, and electronically recorded monetary claims – operating, down by 522 million yen, despite an increase in cash and deposits, up by 134 million yen.

Non-current assets amounted to 1,330 million yen, a decrease of 146 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to declines of 70 million yen in goodwill and 59 million yen in deferred tax assets (Other in the Investments and other assets).

As of the end of the third quarter of the consolidated fiscal year under review (February 29, 2020), liabilities amounted to 1,871 million yen, a decrease of 1,210 million yen in comparison to the end of the previous consolidated fiscal year. This is mainly attributable to respective decreases in income taxes payable, down by 502 million yen, accounts payable – other (Other in the Current liabilities), down by 247 million yen, advances received (Other in the Current liabilities), down by 240 million yen, and bonds and loans payable including the current portions thereof, down by 194 million yen.

As of the end of the third quarter of the consolidated fiscal year under review (February 29, 2020), net assets amounted to 7,495 million yen, an increase of 188 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 618 million yen and an increase in capital surplus of 633 million yen due to gains on disposal of treasury shares, and despite year-end dividends in the previous fiscal year of 199 million yen and a net increase in treasury shares of 846 million yen.

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

There is no amendment to consolidated earnings forecasts disclosed on January 10, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2019	As of February 29, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,799,286	4,934,077
Notes and accounts receivable – trade	1,172,506	678,936
Electronically recorded monetary claims – operating	1,400,050	877,662
Operational investment securities	53,441	45,223
Merchandise and finished goods	182,607	152,539
Work in process	873,819	752,709
Raw materials and supplies	429,174	506,659
Income taxes receivable	6,622	66,041
Other	45,178	56,727
Allowance for doubtful accounts	(51,169)	(33,948)
Total current assets	8,911,516	8,036,630
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	324,178	310,313
Land	165,149	165,149
Other, net	214,838	224,348
Total property, plant and equipment	704,166	699,810
Intangible assets		
Goodwill	366,113	295,779
Other	47,373	47,948
Total intangible assets	413,487	343,727
Investments and other assets		
Investment securities	33,819	33,104
Other	330,973	258,735
Allowance for doubtful accounts	(4,993)	(4,745)
Total investments and other assets	359,798	287,094
Total non-current assets	1,477,452	1,330,633
Total assets	10,388,969	9,367,263
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	513,562	480,937
Short-term loans payable	70,000	170,000
Current portion of bonds	60,000	60,000
Current portion of long-term loans payable	335,043	266,056
Income taxes payable	522,759	20,621
Provision for bonuses	—	39,347
Provision for product warranties	32,532	22,918
Provision for director stock benefits	134,400	133,300
Other	691,716	185,441
Total current liabilities	2,360,014	1,378,622
Non-current liabilities		
Bonds payable	150,000	90,000
Long-term loans payable	438,606	272,825
Provision for stock benefits	2,644	2,996
Net defined benefit liability	91,462	89,394
Asset retirement obligations	10,144	10,148
Other	29,128	27,325
Total non-current liabilities	721,986	492,690
Total liabilities	3,082,000	1,871,312

(Unit: Thousands of yen)

	As of May 31, 2019	As of February 29, 2020
Net assets		
Shareholders' equity		
Capital stock	1,760,299	1,760,299
Capital surplus	2,719,603	3,352,855
Retained earnings	3,065,143	3,484,338
Treasury shares	(228,185)	(1,074,922)
Total shareholders' equity	7,316,861	7,522,571
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,893)	(26,621)
Total accumulated other comprehensive income	(9,893)	(26,621)
Total net assets	7,306,968	7,495,950
Total liabilities and net assets	10,388,969	9,367,263



(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
(Quarterly consolidated statements of income)  
(June 1, 2019 – February 29, 2020)

(Unit: Thousands of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Net sales	5,550,490	4,949,774
Cost of sales	2,993,387	2,585,031
Gross profit	2,557,103	2,364,743
Selling, general and administrative expenses	1,350,532	1,408,752
Operating income	1,206,570	955,991
Non-operating income		
Interest income	963	2,217
Dividend income	180	180
Income from assets for rent	9,512	9,682
Foreign exchange gains	—	806
Share of profit of entities accounted for using equity method	34	—
Other	3,641	5,206
Total non-operating income	14,332	18,092
Non-operating expenses		
Interest expenses	9,149	6,728
Expenses of assets for rent	26,696	9,304
Foreign exchange losses	2,479	—
Share of loss of entities accounted for using equity method	—	669
Other	1,745	2,343
Total non-operating expenses	40,071	19,046
Ordinary income	1,180,831	955,037
Extraordinary income		
Gain on sales of non-current assets	289	281
Total extraordinary income	289	281
Extraordinary losses		
Loss on retirement of non-current assets	3,589	495
Loss on sales of non-current assets	—	219
Loss on transfer of operations	—	19,856
Total extraordinary losses	3,589	20,570
Profit before income taxes	1,177,530	934,748
Income taxes – current	426,674	258,238
Income taxes – deferred	(13,745)	57,793
Total income taxes	412,928	316,031
Profit	764,602	618,716
Profit attributable to owners of parent	764,602	618,716

(Quarterly consolidated statements of comprehensive income)  
(June 1, 2019 – February 29, 2020)

(Unit: Thousands of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Profit	764,602	618,716
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,503)	—
Foreign currency translation adjustment	(16,374)	(16,684)
Share of other comprehensive income of entities accounted for using equity method	(531)	(43)
Total other comprehensive income	(20,410)	(16,728)
Comprehensive income	744,192	601,988
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	744,192	601,988
Comprehensive income attributable to non-controlling interests	—	—

(3) Note regarding the quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

During the first quarter of the consolidated fiscal year under review, the Company acquired 124,300 treasury shares (219,841,000 yen), pursuant to the resolution of the meeting of the Board of Directors held on July 12, 2019. In addition, the Directors' compensation stock benefit trust acquired 117,800 shares of the Company's stock (198,564,000 yen).

Moreover, during the consolidated cumulative second quarter of the fiscal year under review, the Company sold 54,900 shares (89,926,000 yen) to make payments of cash to eligible persons and also allocated 69,500 shares (113,841,000 yen) to eligible persons under the Directors' compensation stock benefit trust.

In the third quarter of the fiscal year under review, in accordance with the resolution of the Board of directors on January 10, 2020, the Company disposed of treasury shares through a third-party allotment to the Directors' compensation stock benefit trust account. As a result, treasury shares decreased by 300,000 shares (232,848,000 yen), and the number of the Company's shares held by the Directors' compensation stock benefit trust increased by 300,000 shares (866,100,000 yen).

Consequently, treasury shares increased by 846,736,000 yen to 1,074,922,000 yen as of the end of the third quarter of the consolidated fiscal year under review.

(Additional information)

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

1. Overview of transactions

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

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

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as "treasury shares" (excluding the amount of incidental costs) under net assets. At the end of the previous fiscal year, the treasury shares in question had a book value of 15,290,000 yen (30,500 shares), while at the end of the third quarter of the consolidated fiscal year under review their book value was 14,137,000 yen (28,200 shares).

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

1. Overview of transactions

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

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

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as "treasury shares" (excluding the amount of incidental costs) under net assets. At the end of the previous fiscal year, the treasury shares in question had a book value of 5,904,000 yen (7,028 shares), while at the end of the third quarter of the consolidated fiscal year under review their book value was 866,801,000 yen (300,428 shares).

(Segment information)

[Segment information]

I. For the nine months ended February 28, 2019 (June 1, 2018 to February 28, 2019)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	3,262,205	852,847	1,435,437	5,550,490
Intra-segment internal sales and transfer amount	—	—	798	798
Total	3,262,205	852,847	1,436,235	5,551,288
Segment income	1,591,496	55,958	65,856	1,713,312

2. Difference between total amount of income or loss of reportable segments and the corresponding amount reported in the quarterly consolidated statements of income, and the key components of such difference (reconciliation)

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	1,713,312
Company-wide expenses (Note)	(501,965)
Inter-segment eliminations	882
Adjustment of inventories	(5,658)
Operating income in the quarterly consolidated statements of income	1,206,570

(Note) Company-wide expenses mainly consist of expenses incurred by the Company's head office administrative operations that are not attributable to the reportable segments.

3. Information on impairment loss for non-current assets or goodwill of each reportable segment

No items to report.

II. For the nine months ended February 28, 2020 (June 1, 2019 to February 29, 2020)

1. Information on net sales and the amount of profits (losses) by reportable segment

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Net sales				
Sales to external customers	3,142,973	640,705	1,166,094	4,949,774
Intra-segment internal sales and transfer amount	—	—	—	—
Total	3,142,973	640,705	1,166,094	4,949,774
Segment income	1,540,553	4,470	48,039	1,593,063

2. Difference between total amount of income or loss of reportable segments and the corresponding amount reported in the quarterly consolidated statements of income, and the key components of such difference (reconciliation)

(Unit: Thousands of yen)

Income	Amount
Total of reportable segments	1,593,063
Company-wide expenses (Note)	(625,301)
Inter-segment eliminations	726
Adjustment of inventories	(12,497)
Operating income in the quarterly consolidated statements of income	955,991

(Note) Company-wide expenses mainly consist of expenses incurred by the Company's head office administrative operations that are not attributable to the reportable segments.

3. Information on impairment loss for non-current assets or goodwill of each reportable segment

No items to report.

3. Supplementary explanation of consolidated financial results for the third quarter of the fiscal year ending May 31, 2020

(1) Status of orders

Orders received

Segment	1-3Q of the previous consolidated fiscal year (June 1, 2018 to February 28, 2019)		1-3Q of the current consolidated fiscal year (June 1, 2019 to February 29, 2020)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things related works	4,621,238	1,981,986	4,299,218	2,348,887	(322,019)	366,901
Environmental energy related works	834,634	398,773	675,690	412,981	(158,944)	14,208
Promotion business of Industry 4.0	1,171,850	176,597	1,028,865	267,128	(142,984)	90,531
Total	6,627,723	2,557,356	6,003,774	3,028,997	(623,949)	471,641

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

2. The above amounts do not include results of those operations engaged in make-to-stock production.