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July 12, 2024

Consolidated Financial Results for the Fiscal Year Ended May 31, 2024 <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, 2024
 Planned Commencement Date of Dividend Payments: August 26, 2024
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 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, 2024 (June 1, 2023 to May 31, 2024)

(1) Consolidated operating results

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
May 31, 2024	7,754	13.1	1,577	8.9	1,637	8.9	1,132	15.4
May 31, 2023	6,856	14.0	1,448	28.2	1,503	25.6	981	28.9

(Note) Comprehensive income: the fiscal year ended May 31, 2024: ¥1,171 million / 19.6%
 the fiscal year ended May 31, 2023: ¥979 million / 25.8%

	Basic earnings per share	Diluted earnings per share	Profit to shareholders' equity	Ordinary profit to assets	Operating profit to net sales
For the fiscal year ended	Yen	Yen	%	%	%
May 31, 2024	104.15	—	10.7	12.5	20.3
May 31, 2023	90.12	—	10.1	12.5	21.1

(Reference) Equity method investment gain (loss): the fiscal year ended May 31, 2024: ¥— million
 the fiscal year ended May 31, 2023: ¥— 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, 2024	13,653	11,044	80.9	1,013.92
As of May 31, 2023	12,610	10,132	80.4	934.91

(Reference) Shareholders' equity: As of May 31, 2024: ¥11,044 million
 As of May 31, 2023: ¥10,132 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, 2024	8	(154)	(469)	6,312
May 31, 2023	438	(140)	(234)	6,852

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, 2023	—	0.00	—	25.00	25.00	274	27.7	2.8
May 31, 2024	—	10.00	—	25.00	35.00	387	33.6	3.6
For the fiscal year ending May 31, 2025 (Forecast)	—	10.00	—	25.00	35.00		68.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2025

(June 1, 2024 to May 31, 2025)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,493	(16.3)	844	(46.5)	867	(47.0)	559	(50.6)	51.37

(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, 2024	11,510,200 shares
As of May 31, 2023	11,510,200 shares

(ii) Number of treasury shares at end of period

As of May 31, 2024	617,607 shares
As of May 31, 2023	672,507 shares

(iii) Average number of shares during period

Fiscal year ended May 31, 2024	10,875,748 shares
Fiscal year ended May 31, 2023	10,886,767 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, 2024 (June 1, 2023 to May 31, 2024)

(1) Non-consolidated financial results

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
May 31, 2024	4,952	13.5	1,473	10.4	1,570	7.0	1,086	8.5
May 31, 2023	4,363	9.9	1,334	19.3	1,467	21.7	1,001	24.1

	Profit per share	Profit per share—diluted
	Yen	Yen
For the fiscal year ended		
May 31, 2024	99.95	—
May 31, 2023	92.02	—

(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, 2024	12,134	10,934	90.1	1,003.81
As of May 31, 2023	11,100	10,106	91.0	932.54

(Reference) Shareholders' equity: As of May 31, 2024: ¥10,934 million

As of May 31, 2023: ¥10,106 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 4) of the Attached Materials.

[Attached Materials]

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1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

1) Operating results for the fiscal year under review

Net sales and profits in the Inter Action Group's financial results for the consolidated fiscal year under review rose year on year.

The reason for increased net sales is strong sales of products in all segments.

The main reason for increased operating profit is strong sales of high-profit products in the Internet of things related works segment and the decrease in the selling, general and administrative expenses.

As a result of these business activities, the Inter Action Group's financial results for the consolidated fiscal year under review were as follows. Net sales rose by 13.1% to 7,754 million yen (compared with 6,856 million yen in the previous fiscal year); gross profit fell by 0.6 % to 3,306 million yen (compared with 3,326 million yen in the previous fiscal year); operating profit rose by 8.9% to 1,577 million yen (compared with 1,448 million yen in the previous fiscal year); ordinary profit rose by 8.9% to 1,637 million yen (compared with 1,503 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes rose 15.4% year on year to 1,132 million yen (compared with 981 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, 2024	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Net sales	1,740	1,239	1,901	2,873	7,754
Operating profit	211	182	351	832	1,577
Ordinary profit	239	199	378	820	1,637
Profit attributable to owners of parent	150	119	279	583	1,132

Moreover, with respect to the Company's non-consolidated financial results, net sales in the Internet of things related works rose by 13.9% to 4,897 million yen (compared with 4,300 million yen in the previous fiscal year). Net sales in the environmental energy related works fell 4.4% to 6 million yen (compared with 6 million yen in the previous fiscal year), and net sales in the promotion business of Industry 4.0 fell by 14.5% to 48 million yen (compared with 56 million yen in the previous fiscal year).

As a result, the Inter Action Group's financial results for the fiscal year under review were as follows. Net sales rose by 13.5% to 4,952 million yen (compared with 4,363 million yen in the previous fiscal year); operating profit rose by 10.4% to 1,473 million yen (compared with 1,334 million yen in the previous fiscal year); ordinary profit rose by 7.0% to 1,570 million yen (compared with 1,467 million yen in the previous fiscal year); and final profit rose by 8.5% to 1,086 million yen (compared with 1,001 million yen in the previous fiscal year).

2) Business conditions by segment

(Internet of things related works)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 13.9% to 4,897 million yen (compared with 4,300 million yen in the previous fiscal year), and segment profit increased by 10.8% to 2,401 million yen (compared with 2,167 million yen in the previous fiscal year). This reflects strong sales of pupil lens modules compared with the previous fiscal year, as well as improved profitability compared with the past with respect to inspection illuminators for domestic customers, due to a shift from existing low-margin models to new models.

Another factor is the decrease in selling expenses resulting from the decrease in sale of products for overseas customers in compared with the previous fiscal year.

(Environmental energy related works)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 38.4% to 1,052 million yen (compared with 760 million yen in the previous fiscal year), and the segment

recorded profit of 39 million yen (compared with loss of 17 million yen in the previous fiscal year). This is because, compared with the previous fiscal year, main units in the drying deodorizer equipment area enjoyed strong sales, and so did main units and high-profit maintenance projects in the exhaust gas treatment area.

(Promotion business of Industry 4.0)

During the consolidated fiscal year under review, net sales to this segment's external customers increased by 0.5% to 1,804 million yen (compared with 1,796 million yen in the previous fiscal year), and segment profit decreased by 87.5% to 16 million yen (compared with 135 million yen in the previous fiscal year). This decrease reflects sluggish sales of gear testing systems, despite robust sales of precision vibration isolation systems.

As in the third quarter, the decrease in segment profit is attributable also to expenses incurred, including research and development expenses, in connection with AI image processing equipment as well as laser business and other new businesses.

(2) Overview of financial position for the fiscal year under review

As of the end of the consolidated fiscal year under review (May 31, 2024), total assets amounted to 13,653 million yen, up 1,043 million yen compared with the amount held at the end of the previous consolidated fiscal year on May 31, 2023.

Current assets amounted to 12,307 million yen, an increase of 1,011 million yen over the end of the previous consolidated fiscal year. This was primarily because, although cash and deposits decreased by 538 million yen and work in process decreased by 211 million yen, there was an increase of 281 million yen in accounts receivable – trade and an increase of 1,622 million yen in electronically recorded monetary claims – operating.

Non-current assets amounted to 1,345 million yen, an increase of 32 million yen compared with the end of the previous consolidated fiscal year.

As of the end of the consolidated fiscal year under review (May 31, 2024), liabilities amounted to 2,609 million yen, which is an increase of 131 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to a 201 million yen increase of accrued consumption taxes (other current liabilities).

As of the end of the consolidated fiscal year under review (May 31, 2024), net assets amounted to 11,044 million yen, which is an increase of 911 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to recording of profit attributable to owners of parent of 1,132 million yen and a 126 million yen decrease in treasury shares, despite year-end dividends of 274 million yen in the previous fiscal year and interim dividends of 110 million yen in the current fiscal year.

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

For the consolidated fiscal year under review, cash and cash equivalents amounted to 6,312 million yen, which is a decrease of 540 million yen compared with 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 8 million yen (compared with net cash provided by operating activities of 438 million yen in the previous fiscal year). This is mainly a result of having recorded profit before income taxes of 1,637 million yen, depreciation of 147 million yen, and a 425 million yen increase (decrease) in other assets/liabilities, despite a 1,924 million yen increase in trade receivables and recording of 526 million yen in income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities during the consolidated fiscal year under review amounted to 154 million yen (compared with net cash used in investing activities of 140 million yen in the previous fiscal year). This is mainly a result of having recorded 133 million yen in purchases of property, plant and equipment.

(Cash flow from financing activities)

Net cash used in financing activities during the consolidated fiscal year under review amounted to 469 million yen (compared with net cash used in financing activities of 234 million yen in the previous fiscal year). This is mainly a result of having recorded 383 million yen in cash dividends paid.

The trend of cash flow indicators is as follows.

	For the fiscal year ended May 31, 2022	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Shareholders' equity ratio (%)	81.0	80.4	80.9
Shareholders' equity ratio at market value (%)	216.0	129.7	124.1
Debt repayment period (years)	1.9	2.0	97.4
Interest coverage ratio (times)	48.2	54.1	1.5

(Notes) Shareholders' equity ratio: Shareholders' equity ÷ Total assets

Shareholders' equity ratio at market value: Market capitalization ÷ Total assets

Debt repayment period: Interest-bearing debt ÷ Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities ÷ Payment of interest

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

(4) Forecasts

1) Overall outlook

In the next consolidated fiscal year (fiscal year ending March 31, 2025), instability in the operating environment is likely to persist notwithstanding the recovery trend in the semiconductor-related market, which is driven by the increase in demand for generative AI, because there are concerns about growing risks of a global economic downturn arising from prolonged inflation, exchange rate fluctuations caused by rises in policy interest rates in the U.S. and Europe, economic stagnation in China, U.S.-China conflict, situations in Ukraine and the Middle East, and other factors.

Under such circumstances, we anticipate the Group's operating results in the next consolidated fiscal year to record decreases in both net sales and profits, given the outlook for sluggish sales of products in the Internet of things related works and the Environmental energy related works segments, as well as expenses that are likely to be incurred, including research and development expenses, in association with new businesses in the Promotion business of Industry 4.0 segment.

(Millions of yen)

	For the fiscal year ended May 31, 2024 (Actual)	For the fiscal year ending May 31, 2025 (Forecast)	Year-on-year rate (%)
Net sales	7,754	6,493	(16.3)
Operating profit	1,577	844	(46.5)
Ordinary profit	1,637	867	(47.0)
Profit attributable to owners of parent	1,132	559	(50.6)

2) Business outlook by segment

[1] Internet of things related works

For the segment as a whole, net sales are expected to decrease year on year.

With respect to customers' investment trends in the next consolidated fiscal year, capital investment demand of domestic customers is expected to soften compared with the consolidated fiscal year under review inasmuch as they carried out large-scale capital investment projects in the consolidated fiscal year under review.

With overseas customers, we expect their investment trend to remain unclear in the next consolidated fiscal year. Still, there are signs of recovery in demand and sales volume of smartphones that had stagnated in some regions, which could prompt customers to gradually resume their moves to strengthen production capacity. As it is possible that customers' investment intention could change abruptly, we will strengthen our communication with customers and keep a close watch on the trends.

In the image sensor market overall, we anticipate the market scale to expand along with further advancement of sensor technology for application in mobile devices as well as growth of sensors for application in non-mobile devices, such as automobiles. This leads us to believe that the operating environment in the future will be solid.

We forecast net sales in this segment for the full year of 3,800 million yen.

[2] Environmental energy related works

For the segment as a whole, net sales are expected to decrease year on year.

With respect to customers' investment trends in the next consolidated fiscal year, we expect capital investment demand in the drying deodorizer area to remain steady due in part to customers taking advantage of subsidies for energy-saving investments. On the other hand, in the exhaust gas treatment system area, capital investment demand is expected to soften in the next consolidated fiscal year compared with the consolidated fiscal year under review, given several large-scale capital investment projects that were carried out in the consolidated fiscal year under review.

We forecast net sales in this segment for the full year of 775 million yen.

[3] Promotion business of Industry 4.0

For the segment as a whole, net sales are projected to be higher compared with the consolidated fiscal year under review, as we anticipate that sales of precision vibration isolation systems and gear testing systems will continue to be strong.

In the area of precision vibration isolation systems, we will aim for medium to long-term growth of the business by differentiating ourselves from our competitors with vibration monitoring application, a new product, as well data solutions that apply this application.

In the area of gear testing systems, some new products were launched in the consolidated fiscal year under review. These include "gear roughness measuring system" that uses our measuring technologies and enables application to new measurement items, and "AI image processing equipment" (device developed from the FA image processing system) that enables visual inspection not only for gear inspection but also in various other areas such as semiconductors, home appliances and musical instruments. We will continue to promote sales of these products in the next consolidated fiscal year and aim for their contribution to sales.

With the laser business, we will continue with market surveys and research and development activities while determining the right timing for launching new products.

We forecast net sales in this segment for the full year of 1,917 million yen.

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 (IFRS), 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, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	6,863,003	6,324,492
Notes receivable – trade	22,747	30,857
Accounts receivable – trade	825,942	1,107,182
Electronically recorded monetary claims – operating	730,787	2,352,792
Operational investment securities	39,149	41,958
Merchandise and finished goods	137,205	167,729
Work in process	1,791,333	1,579,954
Raw materials and supplies	712,967	686,873
Other	201,988	85,612
Allowance for doubtful accounts	(28,702)	(69,519)
Total current assets	11,296,423	12,307,932
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,806	717,060
Accumulated depreciation	△470,006	(485,571)
Buildings and structures, net	244,800	231,488
Machinery, equipment and vehicles	558,604	601,309
Accumulated depreciation	(465,368)	(504,198)
Machinery, equipment and vehicles, net	93,236	97,110
Land	165,149	165,149
Other	635,832	708,782
Accumulated depreciation	(497,461)	(564,996)
Other, net	138,370	143,786
Total property, plant and equipment	641,556	637,535
Intangible assets		
Goodwill	137,039	88,196
Other	32,032	54,620
Total intangible assets	169,072	142,816
Investments and other assets		
Investment securities	130,430	130,489
Deferred tax assets	219,309	270,090
Other	166,385	177,005
Allowance for doubtful accounts	(13,018)	(11,967)
Total investments and other assets	503,106	565,617
Total non-current assets	1,313,735	1,345,969
Total assets	12,610,159	13,653,901

(Unit: Thousands of yen)

	As of May 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	454,887	432,564
Short-term borrowings	340,000	440,000
Current portion of long-term borrowings	63,936	59,936
Income taxes payable	306,275	324,156
Provision for product warranties	15,979	10,709
Provision for share awards for directors (and other officers)	167,000	181,900
Other	532,116	697,040
Total current liabilities	1,880,193	2,146,306
Non-current liabilities		
Long-term borrowings	460,018	306,982
Provision for share awards	9,362	11,761
Retirement benefit liability	98,827	116,699
Asset retirement obligations	10,150	10,150
Other	19,308	17,754
Total non-current liabilities	597,666	463,348
Total liabilities	2,477,859	2,609,655
Net assets		
Shareholders' equity		
Share capital	1,760,299	1,760,299
Capital surplus	3,352,855	3,352,578
Retained earnings	6,122,593	6,869,751
Treasury shares	(1,109,626)	(983,327)
Total shareholders' equity	10,126,122	10,999,302
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,176	44,944
Total accumulated other comprehensive income	6,176	44,944
Total net assets	10,132,299	11,044,246
Total liabilities and net assets	12,610,159	13,653,901

(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, 2023	For the fiscal year ended May 31, 2024
Net sales	6,856,988	7,754,732
Cost of sales	3,530,366	4,447,748
Gross profit	3,326,622	3,306,983
Selling, general and administrative expenses		
Sales commission	299,204	79,442
Remuneration for directors (and other officers)	333,256	303,971
Salaries and allowances	315,733	361,944
Retirement benefit expenses	12,166	11,940
Provision for product warranties	6,166	1,708
Research and development expenses	95,188	100,661
Commission expenses	172,947	161,496
Other	643,219	708,306
Total selling, general and administrative expenses	1,877,885	1,729,472
Operating profit	1,448,736	1,577,511
Non-operating income		
Interest income	7,753	20,391
Dividend income	120	120
Income from assets for rent	9,240	18,240
Foreign exchange gains	44,390	57,415
Subsidy income	166	15,726
Miscellaneous income	11,334	9,146
Total non-operating income	73,005	121,039
Non-operating expenses		
Interest expenses	8,072	5,635
Expenses of assets for rent	7,397	7,490
Share of loss of entities accounted for using equity method	—	44,219
Miscellaneous losses	2,692	3,595
Total non-operating expenses	18,162	60,940
Ordinary profit	1,503,580	1,637,610
Extraordinary income		
Gain on sales of non-current assets	307	27
Total extraordinary income	307	27
Extraordinary losses		
Loss on retirement of non-current assets	—	578
Total extraordinary losses	—	578
Profit before income taxes	1,503,887	1,637,059
Income taxes – current	521,019	555,157
Income taxes – deferred	1,754	(50,780)
Total income taxes	522,774	504,376
Profit	981,113	1,132,682
Profit attributable to owners of parent	981,113	1,132,682

(Consolidated statements of comprehensive income)

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Profit	981,113	1,132,682
Other comprehensive income		
Foreign currency translation adjustment	(1,492)	38,767
Total other comprehensive income	(1,492)	38,767
Comprehensive income	979,620	1,171,449
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	979,620	1,171,449
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in shareholders' equity
For the fiscal year ended May 31, 2023 (June 1, 2022 – May 31, 2023)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,760,299	3,352,855	5,362,752	(1,142,686)	9,333,221
Changes of items during period					
Dividends of surplus			(221,272)		(221,272)
Profit attributable to owners of parent			981,113		981,113
Purchase of treasury shares				(99,910)	(99,910)
Transfer of treasury shares by trust				132,970	132,970
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	759,840	33,060	792,901
Balance at end of current period	1,760,299	3,352,855	6,122,593	(1,109,626)	10,126,122

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	7,669	7,669	9,340,890
Changes of items during period			
Dividends of surplus			(221,272)
Profit attributable to owners of parent			981,113
Purchase of treasury shares			(99,910)
Transfer of treasury shares by trust			132,970
Net changes of items other than shareholders' equity	(1,492)	(1,492)	(1,492)
Total changes of items during period	(1,492)	(1,492)	791,408
Balance at end of current period	6,176	6,176	10,132,299

For the fiscal year ended May 31, 2024 (June 1, 2023 – May 31, 2024)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,760,299	3,352,855	6,122,593	(1,109,626)	10,126,122
Changes of items during period					
Dividends of surplus			(385,523)		(385,523)
Profit attributable to owners of parent			1,132,682		1,132,682
Disposal of treasury shares		(277)		113,920	113,643
Purchase of treasury shares				(113,643)	(113,643)
Transfer of treasury shares by trust				126,021	126,021
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(277)	747,158	126,298	873,179
Balance at end of current period	1,760,299	3,352,578	6,869,751	(983,327)	10,999,302

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	6,176	6,176	10,132,299
Changes of items during period			
Dividends of surplus			(385,523)
Profit attributable to owners of parent			1,132,682
Disposal of treasury shares			113,643
Purchase of treasury shares			(113,643)
Transfer of treasury shares by trust			126,021
Net changes of items other than shareholders' equity	38,767	38,767	38,767
Total changes of items during period	38,767	38,767	911,947
Balance at end of current period	44,944	44,944	11,044,246

(4) Consolidated statement of cash flows

(Unit: Thousands of yen)

	For the fiscal year ended May 31, 2023	For the fiscal year ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,503,887	1,637,059
Depreciation	131,846	147,104
Amortization of goodwill	48,842	48,842
Increase (decrease) in allowance for doubtful accounts	(68,523)	39,715
Increase (decrease) in provision for product warranties	(2,654)	(5,294)
I Increase (decrease) in provision for share awards	904	2,398
Increase (decrease) in provision for share awards for directors (and other officers)	34,000	14,900
Increase (decrease) in retirement benefit liability	10,719	17,621
Interest and dividend income	(7,873)	(20,511)
Interest expenses and guarantees	8,080	5,635
Foreign exchange losses (gains)	(46,314)	(58,877)
Loss on valuation of inventories	80,829	134,315
Loss on retirement of non-current assets	—	578
Loss (gain) on sales of property, plant and equipment	(307)	(27)
Decrease (increase) in trade receivables	(53,581)	(1,924,107)
Decrease (increase) in inventories	(832,248)	86,716
Decrease (increase) in investment securities for sale	(2,600)	(2,808)
Increase (decrease) in notes and accounts payable – trade	(30,008)	(29,384)
Increase/decrease in other assets/liabilities	42,777	425,895
Subtotal	817,776	519,772
Interest and dividend income received	7,873	20,511
Interest and guarantees paid	(8,111)	(5,712)
Income taxes paid	(378,768)	(526,287)
Net cash provided by (used in) operating activities	438,769	8,283
Cash flows from investing activities		
Payments into time deposits	—	(3,979)
Proceeds from withdrawal of time deposits	1,300	2,400
Purchase of property, plant and equipment	(127,290)	(133,720)
Proceeds from sale of property, plant and equipment	255	27
Purchase of intangible assets	(14,168)	(32,371)
Payments of leasehold and guarantee deposits	(428)	(17)
Proceeds from refund of leasehold and guarantee deposits	—	13,597
Net cash provided by (used in) investing activities	(140,332)	(154,064)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	160,000	100,000
Repayments of long-term borrowings	(69,902)	(157,036)
Redemption of bonds	(30,000)	—
Repayments of finance lease liabilities	(9,720)	(8,770)
Purchase of treasury shares	(99,910)	(113,643)
Proceeds from sales of treasury shares	36,426	137,615
Dividends paid	(221,475)	(383,505)
Commission expenses	—	(44,219)
Net cash provided by (used in) financing activities	(234,582)	(469,558)
Effect of exchange rate change on cash and cash equivalents	48,788	75,249
Net increase (decrease) in cash and cash equivalents	112,643	(540,090)
Cash and cash equivalents at beginning of period	6,740,352	6,852,995
Cash and cash equivalents at end of period	6,852,995	6,312,905

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Additional information)

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

1. Overview of transactions

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

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

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as “treasury shares” (excluding the amount of incidental costs) under net assets. The treasury shares in question had a book value of 13,486 thousand yen (26,900 shares) at the end of the previous fiscal year and 13,285 thousand yen (26,500 shares) at the end of the consolidated fiscal year under review.

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

1. Overview of transactions

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

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

2. Shares of the company remaining in trust

Company shares remaining in trust are to be recorded at book value as “treasury shares” (excluding the amount of incidental costs) under net assets. The treasury shares in question had a book value of 367,080 thousand yen (127,228 shares) at the end of the previous fiscal year, and 354,902 thousand yen (153,728 shares) at the end of the consolidated fiscal year under review.

(Implications of Russia-Ukraine situation for accounting estimates)

As the future of the Russia–Ukraine situation is unclear and its impact on economic activities is highly uncertain, we need to pay attention to any developments in the situation in the period ahead. However, we do not expect these to have a major impact on accounting estimates for the end of the consolidated fiscal year under review.

(Segment information)

1. Overview of reportable segments

The Inter Action Group has three reportable segments consisting of the “Internet of things related works,” “environmental energy related works,” and “promotion business of Industry 4.0.” Accordingly, the three segments constitute those units of the company and its consolidated subsidiaries for which discrete financial information is available and for which the Board of Directors regularly conducts review for the purpose of making decisions about allocating management resources and assessing financial results.

The Internet of things related works segment mainly develops, manufactures and sells products such as inspection illuminators used in manufacturing processes for imaging semiconductors (CCD and C-MOS

image sensors) at the Company; the environmental energy related works segment mainly develops, manufactures and sells Air Gases Technos Co., Ltd.'s drying deodorizers for web offset printing presses, exhaust gas treatment systems and other such products; and the promotion business of the Industry 4.0 segment mainly develops, manufactures and sells products such as precision vibration isolation systems, particularly of Meiritz Seiki Co., Ltd. and its subsidiaries, and also plans, designs, manufactures, and sells gear testing machines of Tokyo Technical Instruments Inc. and its subsidiaries.

2. Methods for calculating the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

The accounting standards and methods that are used with respect to the reportable business segments are generally identical to accounting methods applied to present consolidated financial statements, with the exception of accounting standards for measures of inventories. The Company measures inventory assets at values prior to recording their book values on the basis of decreased profitability.

Income in the reportable segments is based on operating profit. Intra-segment internal income and transfer amounts are based on actual market prices.

3. Information on the monetary amount of sales, income (loss), assets, and other items of each reportable segment

For the fiscal year ended May 31, 2023 (June 1, 2022 – May 31, 2023)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy-related business	Promotion business of Industry 4.0	Total	Adjustments*1	Amount recorded in the Consolidated Financial Statements
Net sales						
Sales to external customers	4,300,755	760,109	1,796,123	6,856,988	—	6,856,988
Intra-segment internal sales and transfer amount	—	—	—	—	—	—
Total	4,300,755	760,109	1,796,123	6,856,988	—	6,856,988
Segment profit (loss)*2	2,167,077	(17,953)	135,849	2,284,973	(836,236)	1,448,736
Segment assets	9,628,199	898,028	1,983,754	12,509,982	100,176	12,610,159
Other items						
Depreciation	79,252	3,331	35,788	118,372	13,473	131,846
Increases in property, plant and equipment, and intangible assets	92,773	—	48,100	140,874	584	141,459

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

- (1) The adjusted amount of segment profit (loss) includes negative 755,791,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 80,829,000 yen in inventory adjustments, and 384,000 yen in intra-segment elimination.
- (2) The adjusted amount of segment assets includes Company-wide assets of 100,176,000 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 profit (loss) is adjusted to operating profit in the consolidated financial statements.

For the fiscal year ended May 31, 2024 (June 1, 2023 – May 31, 2024)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy-related business	Promotion business of Industry 4.0	Total	Adjustments*1	Amount recorded in the Consolidated Financial Statements
Net sales						
Sales to external customers	4,897,752	1,052,023	1,804,956	7,754,732	—	7,754,732
Intra-segment internal sales and transfer amount	—	—	518	518	(518)	—
Total	4,897,752	1,052,023	1,805,474	7,755,250	(518)	7,754,732
Segment profit*2	2,401,496	39,424	16,998	2,457,919	(880,407)	1,577,511
Segment assets	10,673,709	722,195	2,158,622	13,554,527	99,373	13,653,901
Other items						
Depreciation	76,805	1,639	54,527	132,972	14,131	147,104
Increases in property, plant and equipment, and intangible assets	57,608	—	107,298	164,907	1,184	166,091

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

- (1) The adjusted amount of intra-segment internal sales and transfer amount includes negative 518,000 yen in intra-segment elimination.
 - (2) The adjusted amount of segment profit includes negative 746,146,000 yen in Company-wide expenses (mainly expenses incurred by head office administrative operations), negative 134,315,000 yen in inventory adjustments, and 54,000 yen in intra-segment elimination.
 - (3) The adjusted amount of segment assets includes Company-wide assets of 99,373,000 yen. The Company-wide assets consist mainly of assets associated with the Company's administrative operations.
 - (4) 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 profit is adjusted to operating profit in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (June 1, 2022 to May 31, 2023)	Current consolidated fiscal year (June 1, 2023 to May 31, 2024)
Net assets per share	934.91 yen	1,013.92 yen
Basic earnings per share	90.12 yen	104.15 yen

(Notes) 1. Diluted earnings per share is not stated because there are no potential shares.

2. The basis for calculating profit per share and profit per share–diluted is as follows.

	Previous consolidated fiscal year (June 1, 2022to May 31, 2023)	Current consolidated fiscal year (June 1, 2023 to May 31, 2024)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	981,113	1,132,682
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent and available to common shareholders (thousands of yen)	981,113	1,132,682
Average number of shares of common stock during the fiscal year (shares)	10,886,767	10,875,748

3. The calculation of net assets per share includes Inter Action stock held by stock benefit ESOP trust accounts and Directors' compensation stock benefit trust accounts, in addition to treasury shares excluding the total number of shares issued and outstanding as of the end of the fiscal year. The trust accounts held amounted to 154,128 Company shares as of the end of the previous consolidated fiscal year (May 31, 2023), and 180,228 shares as of the end of the consolidated fiscal year under review (May 31, 2024). 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 168,099 Company shares during the previous consolidated fiscal year, and 184,459 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, 2024

(1) Status of production, orders and sales

In the consolidated fiscal year under review, the amount of orders received increased significantly year on year, and the order backlog also recorded an increase, primarily in the Internet of things related works and the Promotion business of Industry 4.0 segments.

In the Internet of things related works, the increases are attributable to slow capital investment demand in the previous fiscal year among image sensor manufacturers, our customer segment, and to robust capital investment demand mainly among domestic customers in the fiscal year under review.

In the Promotion business of Industry 4.0, compared with the previous fiscal year, the amount of orders received recorded a significant increase in the gear testing systems area, while the order backlog of increased significantly in the precision vibration isolation systems area.

1) Production results

Segment	Previous consolidated fiscal year (June 1, 2022 to May 31, 2023)	Current consolidated fiscal year (June 1, 2023 to May 31, 2024)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things related works	3,470,801	5,524,752	2,053,951	59.2
Environmental energy-related business	805,981	973,855	167,873	20.8
Promotion business of Industry 4.0	1,829,015	1,751,176	(77,838)	(4.3)
Total	6,105,798	8,249,784	2,143,986	35.1

(Notes) 1. Amounts presented above are based on sales amounts.

2. Production results include the results achieved with respect to outsourcing.

2) Orders received

Segment	Previous consolidated fiscal year (June 1, 2022 to May 31, 2023)		Current consolidated fiscal year (June 1, 2023 to May 31, 2024)		Change	
	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)	Amount of orders received (Thousands of Yen)	Backlog of orders (Thousands of Yen)
Internet of things-related business	2,537,213	1,635,670	5,541,220	2,288,999	3,004,007	653,329
Environmental energy-related business	849,213	774,113	746,621	527,393	(102,591)	(246,719)
Promotion business of Industry 4.0	1,355,783	236,058	1,555,641	262,054	199,858	25,995
Total	4,742,209	2,645,842	7,843,484	3,078,447	3,101,274	432,605

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

3) Sales results

Segment	Previous consolidated fiscal year (June 1, 2022 to May 31, 2023)	Current consolidated fiscal year (June 1, 2023 to May 31, 2024)	Change	
	(Thousands of Yen)	(Thousands of Yen)	(Thousands of Yen)	Year-on-year rate (%)
Internet of things-related business	4,300,755	4,897,752	596,996	13.9
Environmental energy-related business	760,109	1,052,023	291,913	38.4
Promotion business of Industry 4.0	1,796,123	1,804,956	8,833	0.5
Total	6,856,988	7,754,732	897,743	13.1