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April 12, 2024

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending May 31, 2024 <Japanese GAAP>

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 Listed stock exchange: Tokyo
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 Submission of quarterly report: April 12, 2024
 Dividend payment commencement date: –
 Preparation of explanatory materials for quarterly financial results: Yes
 Holding of a briefing on quarterly financial results: Yes (For Institutional Investors, Analysts)

(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, 2024 (June 1, 2023 to February 29, 2024)

(1) Consolidated operating results (Cumulative)

(% 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	%
Nine months ended February 29, 2024	4,880	(4.2)	745	(38.1)	817	(34.7)	549	(32.3)
Nine months ended February 28, 2023	5,094	23.3	1,204	62.4	1,251	62.8	811	68.2

(Note) Comprehensive income: Nine months ended February 29, 2024: ¥577 million / (29.4)%
 Nine months ended February 28, 2023: ¥817 million / 69.7%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 29, 2024	50.54	—
Nine months ended February 28, 2023	74.50	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of February 29, 2024	12,448	10,449	83.9
As of May 31, 2023	12,610	10,132	80.4

(Reference) Shareholders' equity: As of February 29, 2024: ¥10,449 million
 As of May 31, 2023: ¥10,132 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, 2023	–	0.00	–	25.00	25.00
Fiscal year ending May 31, 2024	–	10.00	–		
Fiscal year ending May 31, 2024 (Forecast)				25.00	35.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending May 31, 2024 (June 1, 2023 to May 31, 2024)

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

	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	7,711	12.5	1,474	1.8	1,521	1.2	1,022	4.2	94.04

(Note) 1. Amendment to forecasts of financial results recently announced: Yes

2. 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, 2024 (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 shares)

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

As of February 29, 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 February 29, 2024	617,807 shares
As of May 31, 2023	672,507 shares

(iii) Average number of shares during period

For the nine months ended February 29, 2024	10,870,145 shares
For the nine months ended February 28, 2023	10,890,862 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 consolidated operating results

Net sales in the Inter Action Group's financial results for the first nine months of the consolidated fiscal year under review fell year on year. This is mainly due to sluggish sales in the Internet of things related works segment.

Operating profit also fell year on year. This is mainly due to weak sales of high-profit products in the Internet of things related works segment and a temporary increase in research and development expenditures and other expenses for a new businesses in the Industry 4.0 segment.

Compared to the budget for the consolidated fiscal year under review, net sales have generally progressed as budgeted, while profit has been exceeding the budget mainly in the Internet of things related works segment.

As a result, the Inter Action Group's financial results for the first nine months of the consolidated fiscal year under review were as follows. Net sales fell by 4.2 % to 4,880 million yen (compared with 5,094 million yen in the previous fiscal year); gross profit fell by 25.8% to 1,938 million yen (compared with 2,612 million yen in the previous fiscal year), largely due to the decrease in gross profit rate; operating profit fell by 38.1% to 745 million yen (compared with 1,204 million yen in the previous fiscal year); ordinary profit fell by 34.7% to 817 million yen (compared with 1,251 million yen in the previous fiscal year); and profit attributable to owners of parent excluding income taxes fell by 32.3% to 549 million yen (compared with 811 million yen of profit attributable to owners of parent in the previous fiscal year).

The overall performance of each business segment was as follows.

(Internet of things related works)

During the first nine months of the consolidated fiscal year under review, net sales to this segment's external customers fell by 13.4% year on year to 2,767 million yen (compared with 3,194 million yen in the previous fiscal year), and segment profit decreased by 32.3% to 1,184 million yen (compared with 1,748 million yen in the previous fiscal year). This is because, in comparison with the same period of the previous fiscal year, sales of the highly profitable inspection illuminators for overseas customers were sluggish despite strong sales of inspection illuminators and pupil lens modules for domestic customers.

Although profit declined year on year, profitability has been improving compared to the past with respect to inspection illuminators for domestic customers, due to a shift from existing low-margin models to new models.

(Environmental energy related works)

During the first nine months of the consolidated fiscal year under review, net sales to this segment's external customers rose by 47.8% to 813 million yen (compared with 550 million yen in the previous fiscal year), and segment profit was 46 million yen (loss of 32 million yen in the previous fiscal year). This is because, compared with the same period of 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 first nine months of the consolidated fiscal year under review, net sales to this segment's external customers fell by 3.6% to 1,299 million yen (compared with 1,348 million yen in the previous fiscal year), and the segment profit decreased by 93.7% to 6 million yen (compared with 105 million yen in the previous fiscal year). This decrease reflects sluggish sales of gear testing systems, despite robust sales of precision vibration isolation systems.

The decrease in segment profit is attributable also to temporary expenses including research and development expenditures that were incurred in connection with AI image processing equipment as well as laser business and other new businesses.

(2) Explanation of financial position

As of the end of the third quarter of the consolidated fiscal year under review, net assets amounted to 12,448 million yen, a decrease of 161 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 11,176 million yen, a decrease of 120 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to a 244 million yen decrease in electronically recorded monetary claims—operating and a 363 million yen decrease in cash and deposits, despite a 537 million yen increase in notes and accounts receivable—trade.

Non-current assets amounted to 1,272 million yen, a decrease of 41 million yen compared with the end of the previous consolidated fiscal year.

As of the end of the third quarter of the consolidated fiscal year under review, liabilities amounted to 1,998 million yen, a decrease of 479 million yen compared with the end of the previous consolidated fiscal year. This is mainly attributable to decreases respectively of 294 million yen in income taxes payable and 126 million yen in accounts payable – other (other current liabilities).

As of the end of the third quarter of the consolidated fiscal year under review, net assets amounted to 10,449 million yen, an increase of 317 million yen compared with the amount held at the end of the previous consolidated fiscal year. This is mainly attributable to recording of profit attributable to owners of parent of 549 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) Explanation of forward-looking information including consolidated earnings forecasts

In light of recent business performance, we have revised the full-year consolidated earnings forecasts for the fiscal year ending May 31, 2024, disclosed on January 12, 2024. For details, please refer to “Notice Regarding Revision to Full-Year Consolidated Earnings Forecasts and Publication of Full-Year Non-consolidated Earnings Forecasts for the Fiscal Year Ending May 31, 2024” released today (April 12, 2024).

Note that this full-year earnings forecast could change depending on factors such as social conditions and market trends in Japan and overseas. Actual results could differ from the forecasts depending on a range of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of May 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	6,863,003	6,499,642
Notes and accounts receivable—trade	848,689	1,386,474
Electronically recorded monetary claims—operating	730,787	486,706
Operational investment securities	39,149	41,958
Merchandise and finished goods	137,205	110,719
Work in process	1,791,333	1,823,078
Raw materials and supplies	712,967	741,201
Other	201,988	119,974
Allowance for doubtful accounts	(28,702)	(33,504)
Total current assets	11,296,423	11,176,251
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	244,800	235,292
Land	165,149	165,149
Other, net	231,607	248,811
Total property, plant and equipment	641,556	649,252
Intangible assets		
Goodwill	137,039	100,407
Other	32,032	47,332
Total intangible assets	169,072	147,739
Investments and other assets		
Investment securities	130,430	130,475
Other	385,694	356,776
Allowance for doubtful accounts	(13,018)	(11,933)
Total investments and other assets	503,106	475,318
Total non-current assets	1,313,735	1,272,311
Total assets	12,610,159	12,448,562

(Unit: Thousands of yen)

	As of May 31, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable–trade	454,887	465,226
Short-term borrowings	340,000	440,000
Current portion of long-term borrowings	63,936	60,746
Income taxes payable	306,275	12,221
Provision for bonuses	—	39,759
Provision for product warranties	15,979	11,421
Provision for share awards for directors (and other officers)	167,000	90,800
Other	532,116	410,810
Total current liabilities	1,880,193	1,530,986
Non-current liabilities		
Long-term borrowings	460,018	321,466
Provision for share awards	9,362	10,603
Retirement benefit liability	98,827	106,100
Asset retirement obligations	10,150	10,150
Other	19,308	19,362
Total non-current liabilities	597,666	467,681
Total liabilities	2,477,859	1,998,668
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	6,286,464
Treasury shares	(1,109,626)	(983,428)
Total shareholders' equity	10,126,122	10,415,914
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,176	33,979
Total accumulated other comprehensive income	6,176	33,979
Total net assets	10,132,299	10,449,894
Total liabilities and net assets	12,610,159	12,448,562

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(June 1, 2023 – February 29, 2024)

(Unit: Thousands of yen)

	Nine months ended February 28, 2023	Nine months ended February 29, 2024
Net sales	5,094,239	4,880,761
Cost of sales	2,482,230	2,942,706
Gross profit	2,612,008	1,938,055
Selling, general and administrative expenses	1,407,606	1,192,971
Operating profit	1,204,402	745,083
Non-operating income		
Interest income	7,815	20,354
Dividend income	120	120
Income from assets for rent	6,930	13,230
Foreign exchange gains	36,868	32,308
Other	8,936	20,982
Total non-operating income	60,670	86,995
Non-operating expenses		
Interest expenses	6,026	4,123
Expenses of assets for rent	5,957	6,049
Other	1,783	4,545
Total non-operating expenses	13,767	14,719
Ordinary profit	1,251,306	817,359
Extraordinary income		
Gain on sale of non-current assets	227	27
Total extraordinary income	227	27
Extraordinary losses		
Loss on retirement of non-current assets	—	538
Total extraordinary losses	—	538
Profit before income taxes	1,251,533	816,848
Income taxes—current	404,368	219,219
Income taxes—deferred	35,751	48,234
Total income taxes	440,119	267,453
Profit	811,414	549,394
Profit attributable to owners of parent	811,414	549,394

(Quarterly consolidated statements of comprehensive income)
 (June 1, 2023 – February 29, 2024)

(Unit: Thousands of yen)

	Nine months ended February 28, 2023	Nine months ended February 29, 2024
Profit	811,414	549,394
Other comprehensive income		
Foreign currency translation adjustment	6,033	27,802
Total other comprehensive income	6,033	27,802
Comprehensive income	817,447	577,197
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	817,447	577,197
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)

The main change during the first nine months of the consolidated fiscal year under review was the disposal of treasury shares through a third-party allotment to the Board Benefit Trust account, in accordance with the resolution made at the meeting of the Board of Directors held on July 12, 2023. The disposal resulted in a decrease of 81,000 shares (113,920 thousand yen) of treasury stock, and an increase of 81,000 shares (113,643 thousand yen) of the Company's stock in the Board Benefit Trust account.

In connection with the Board Benefit Trust, the Company sold 22,800 shares (52,637 thousand yen) of the Company's stock for payment of cash benefits to eligible beneficiaries, and granted 31,700 shares (73,183 thousand yen) of the Company's stock to eligible beneficiaries.

As a result, treasury shares decreased by 126,198 thousand yen to 983,428 thousand yen as of the end of the third quarter of the consolidated fiscal year under review.

Furthermore, due to the above-mentioned disposal of treasury shares through third-party allotment in the first nine months of the consolidated fiscal year under review, capital surplus decreased by 277 thousand yen, bringing the balance of capital surplus as of the end of the third quarter of the consolidated fiscal year under review to 3,352,578 thousand yen.

(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 13,385 thousand yen (26,700 shares) at the end of the third quarter 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 third quarter 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 third quarter of the consolidated fiscal year under review.

(Segment information)

I. For the first nine months of the fiscal year ended May 31, 2023 (June 1, 2022 to February 28, 2023)

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	3,194,765	550,709	1,348,763	5,094,239
Intra-segment internal sales and transfer amount	—	—	—	—
Total	3,194,765	550,709	1,348,763	5,094,239
Segment profit (loss)	1,748,457	(32,058)	105,839	1,822,238

2. Difference between total amount of profits (losses) 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	1,822,238
Company-wide expenses ^(Note)	(559,610)
Inter-segment eliminations	299
Adjustment of inventories	(58,525)
Operating profit in the quarterly consolidated statements of income	1,204,402

(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 first nine months of the fiscal year ending May 31, 2024 (June 1, 2023 to February 29, 2024)

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	2,767,089	813,821	1,299,850	4,880,761
Intra-segment internal sales and transfer amount	—	—	518	518
Total	2,767,089	813,821	1,300,368	4,881,279
Segment profit (loss)	1,184,250	46,539	6,660	1,237,450

2. Difference between total amount of profits (losses) 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	1,237,450
Company-wide expenses ^(Note)	(474,690)
Inter-segment eliminations	48
Adjustment of inventories	(17,724)
Operating profit in the quarterly consolidated statements of income	745,083

(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.

(Revenue recognition-related information)

Disaggregated information on revenue from contracts with customers

For the first nine months of the fiscal year ended May 31, 2023 (June 1, 2022 to February 28, 2023)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	3,194,765	544,109	1,348,763	5,087,639
Goods transferred over time	—	—	—	—
Revenue from contracts with customers	3,194,765	544,109	1,348,763	5,087,639
Other revenue ^(Note)	—	6,660	—	6,660
Sales to external customers	3,194,765	550,709	1,348,763	5,094,239

(Note) Other revenue is that recognized in “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

For the first nine months of the fiscal year ending May 31, 2024 (June 1, 2023 to February 29, 2024)

(Unit: Thousands of yen)

	Internet of things related works	Environmental energy related works	Promotion business of Industry 4.0	Total
Goods transferred at a point in time	2,767,089	807,512	1,299,850	4,874,452
Goods transferred over time	—	—	—	—
Revenue from contracts with customers	2,767,089	807,512	1,299,850	4,874,452
Other revenue ^(Note)	—	6,308	—	6,308
Sales to external customers	2,767,089	813,821	1,299,850	4,880,761

(Note) Other revenue is that recognized in “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (ASBJ) Statement No. 10).

3. Supplementary explanation of consolidated financial results for the third quarter of the fiscal year ending May 31, 2024

(1) Status of orders

In the first three quarters of the consolidated fiscal year under review, despite a year-on-year decrease in net sales of the Group as a whole, the amount of orders received and backlog of orders both increased significantly notably in the Internet of things related works and Promotion business of Industry 4.0 segments.

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

Looking ahead at the trend in customers' capital investment demand, the situation of overseas customers continues to be unclear but we anticipate that domestic customers will maintain their robust capital investment demand as it is expected that their stance to improve production capacity and increase utilization rate will continue over the medium to long term.

In the Promotion business of Industry 4.0 segment, the increases are attributable largely to a year-on-year increase in orders received in the gear testing systems area.

Orders received

Segment	First nine months of the previous consolidated fiscal year (June 1, 2022 to February 28, 2023)		First nine months of the current consolidated fiscal year (June 1, 2023 to February 29, 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 works	1,872,098	2,077,007	4,523,060	3,402,353	2,650,962	1,325,345
Environmental energy related works	641,639	774,604	519,090	495,841	(122,549)	(278,763)
Promotion business of Industry 4.0	1,016,948	219,084	1,286,753	433,089	269,804	214,005
Total	3,530,686	3,070,696	6,328,903	4,331,284	2,798,217	1,260,587

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