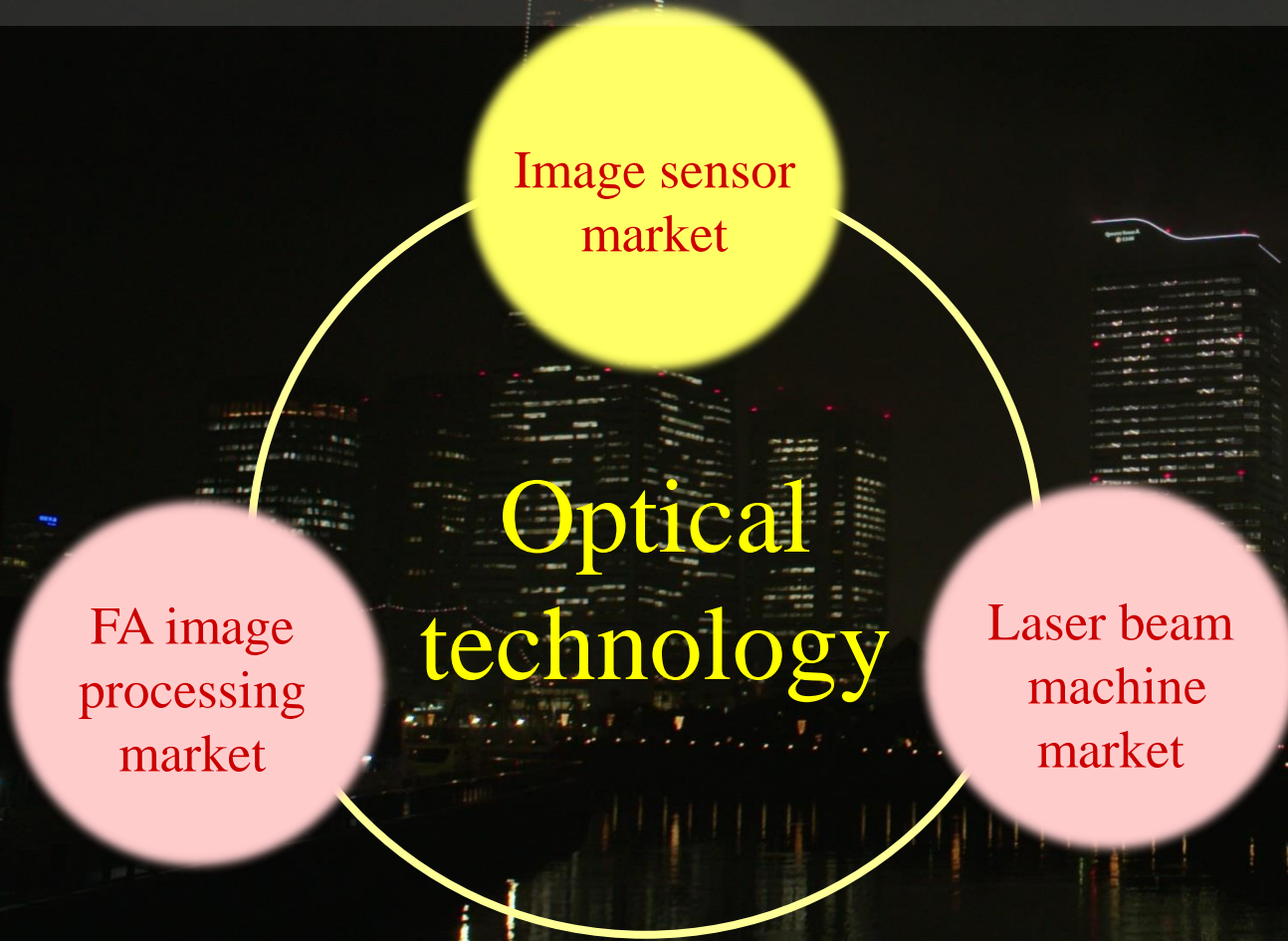


Medium-Term Business Plan 2021

INTER ACTION Corporation



Use optical technology to create value in society based on our motto “the customer comes first.”



Since our founding in 1992, we have striven to create products that meet our customers’ needs in great detail based on our company motto “the customer comes first.” In the course of meeting various needs, we have acquired a wealth of technical know-how that we apply to product development.

The Inter Action Group has established a medium-term business plan to ensure continued business growth.

Drawing on optical technology, which is our core technology, we will take on the challenge of expanding into markets related to FA image processing as well as the laser beam machine market.

We will create value in society together with our stakeholders so as to grow into a company whose name is the first to come to mind around the world in association with optical technology.

With the spread of smartphone cameras and digital cameras in recent years, image sensors for photographic cameras have become something familiar in our lives.

And it is thought that the applications for these sensors will continue to expand by capturing not only visible light but also invisible light. Particularly in such fields as self-driving technology, medical devices, and security, we anticipate demand for image sensors to increase as an essential technology.

The Inter Action Group's illuminators and pupil lens modules support the quality of image sensors and the Group thereby contributes to society as a partner that grows together with it.



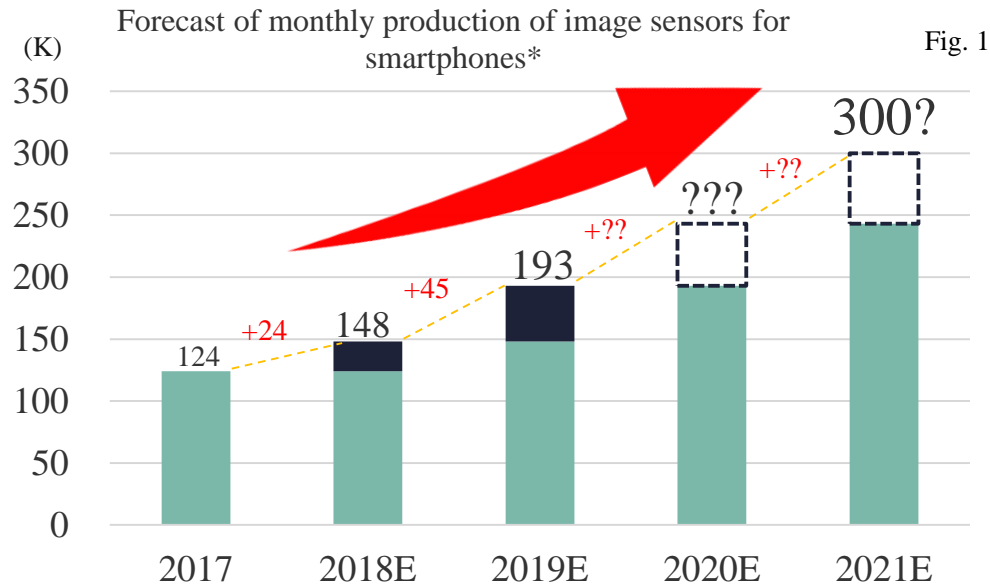
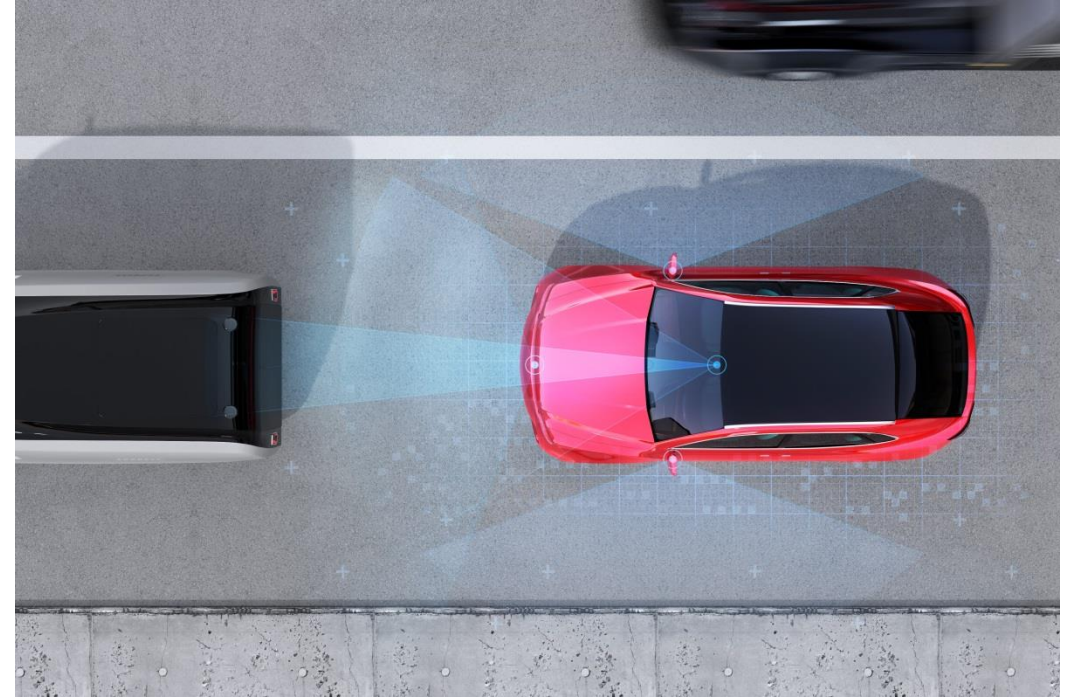
Growth of the CMOS Image Sensor Market

[Short-term factors]

- (1) Expanding demand for image sensors due to the shift to multiple lenses for smartphone cameras (Fig. 1)
 - It is anticipated that around 50% of existing smartphones will be dual-camera models within three years.
 - Triple-camera or more models have already hit the market.
- (2) Expanding demand for image sensors for 3D sensing

[Medium- to long-term factors]

- (1) Spread of in-car cameras
 - Necessity in development of self-driving technology
- (2) Monitoring cameras, medical care, robotics, etc.
 - While there are many uncertainties, the need for image sensors is expected to increase as a core technology in image analysis.



* Calculated by adding the forecasts for leading manufacturers

With the increase in monthly production, manufacturers' appetites for capital investment is growing.

It is thought that monthly production will increase even more in the future due to demand for image sensors for in-car cameras, etc.



We therefore anticipate demand for the Inter Action Group's products to also grow. Capturing this demand, we will conduct parallel development for new fields such as in-car cameras, etc.

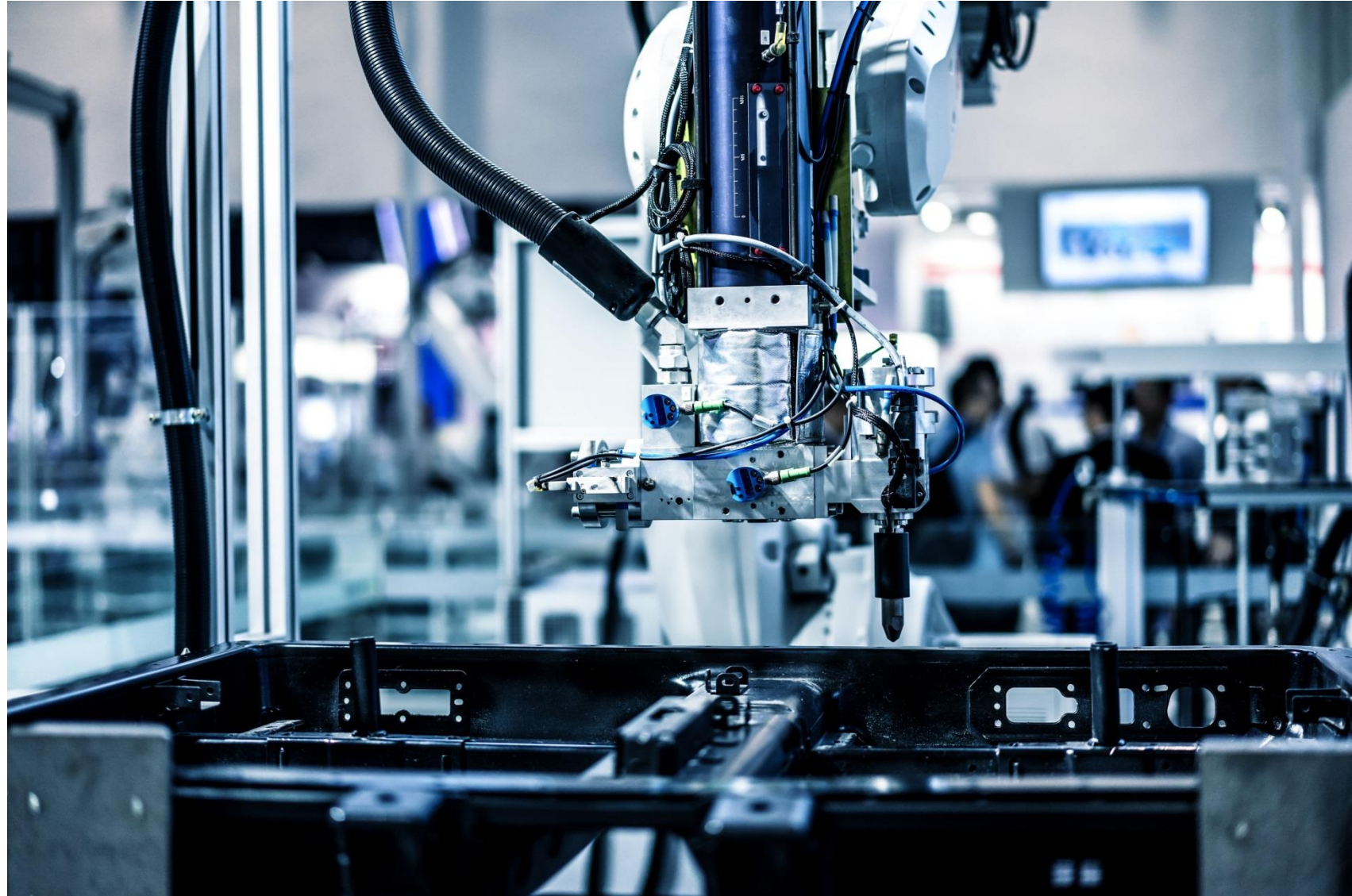
FA Image Processing Market

There is a progressing labor shortage in small and medium-size enterprises, which account for 99% of Japan's manufacturing industry.

Automation of production processes using robots and IT (factory automation; FA) is therefore gaining attention.

In the image processing systems (camera inspection) for FA, the imaging settings, type of image processing, and other details differ depending on the type of inspection, requiring multiple technologies suited to customer needs.

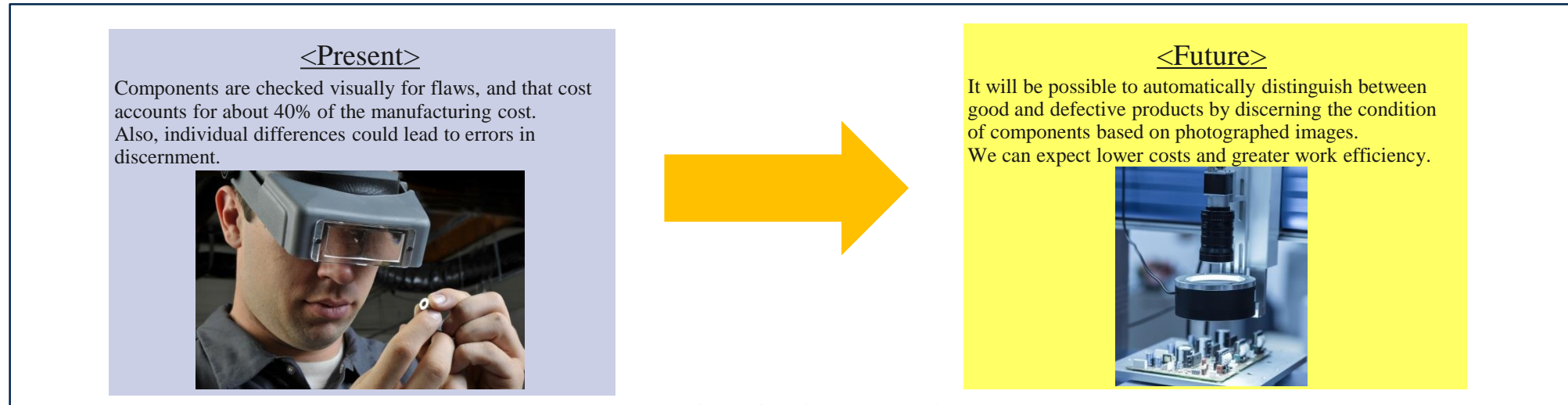
The Inter Action Group expects to be able to give full play to its technological strengths in this field by making active use of its optical control technology.



Synergy between the FA Image Processing Market and the Inter Action Group's Technology

[Market situation]

The global market related to FA image processing system started burgeoning in 2016 on the back of increasing needs for FA and sensing. Over the next several years, we anticipate **an annual rate of increase around 10%** with the market growing to **1.621 trillion yen in 2020**.

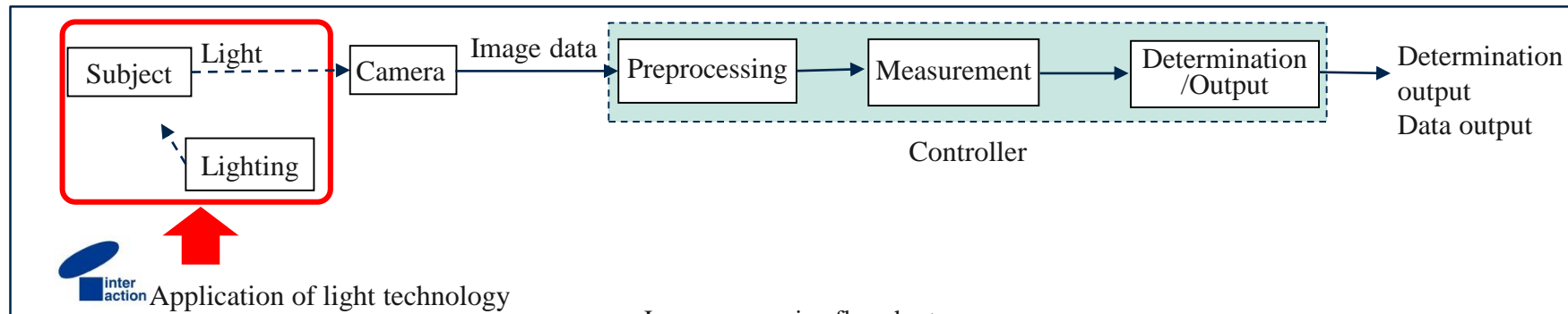


<Example of use of FA image processing>

[Synergy with the Inter Action Group's technology]

In FA image processing, lighting technology that is suited to each image processing application is needed according to the condition of the subject and the shooting requirements.

We believe that technology to control light (lighting) illumination, which is the Inter Action Group's strength, could produce substantial synergy.



<Image processing flowchart>

Laser Machining Technology Market



Laser machining is a technology with which various kinds of machining can be carried out without directly touching the material. It is used as a base technology in a variety of industrial fields as it enables complex and subtle machining as well as machining that minimizes effects on the material. With further performance increases expected in the future, the market is anticipated to expand.

We believe that the Inter Action Group's technology can be fully leveraged in this field, in which optical systems are essential for laser machining technology, and we expect that it will contribute greatly to the Group's future growth.

Laser Machining Technology Market

[Market situation]

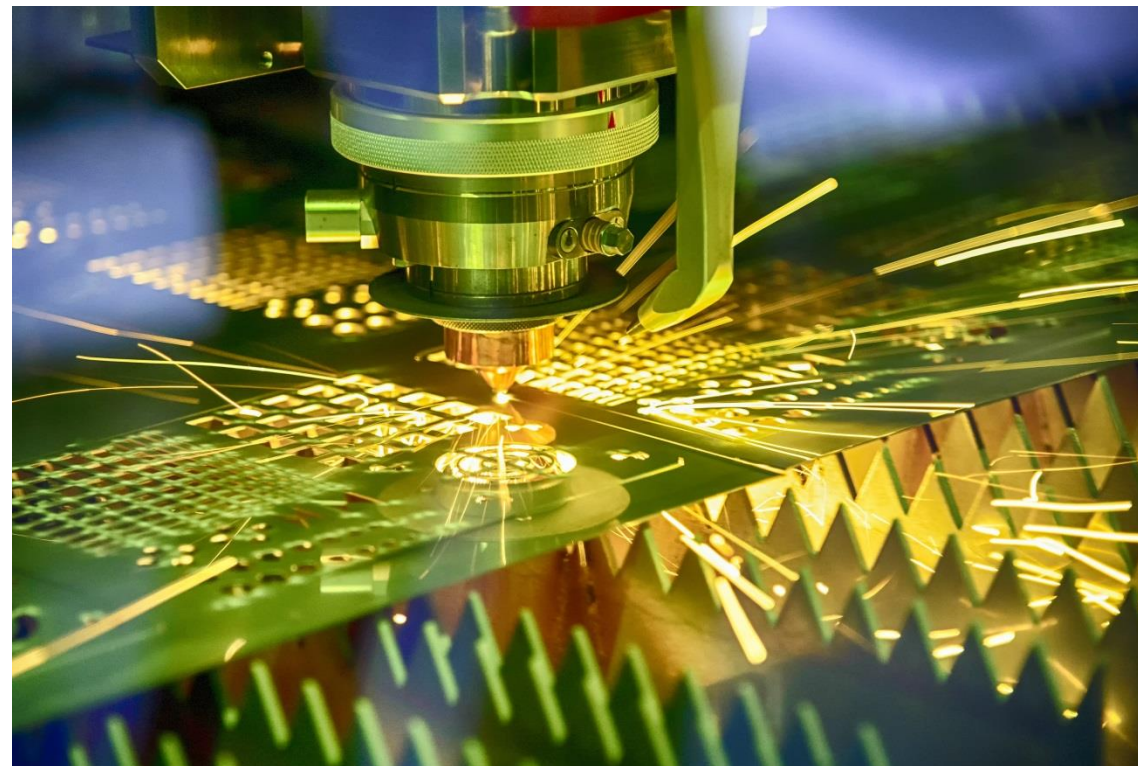
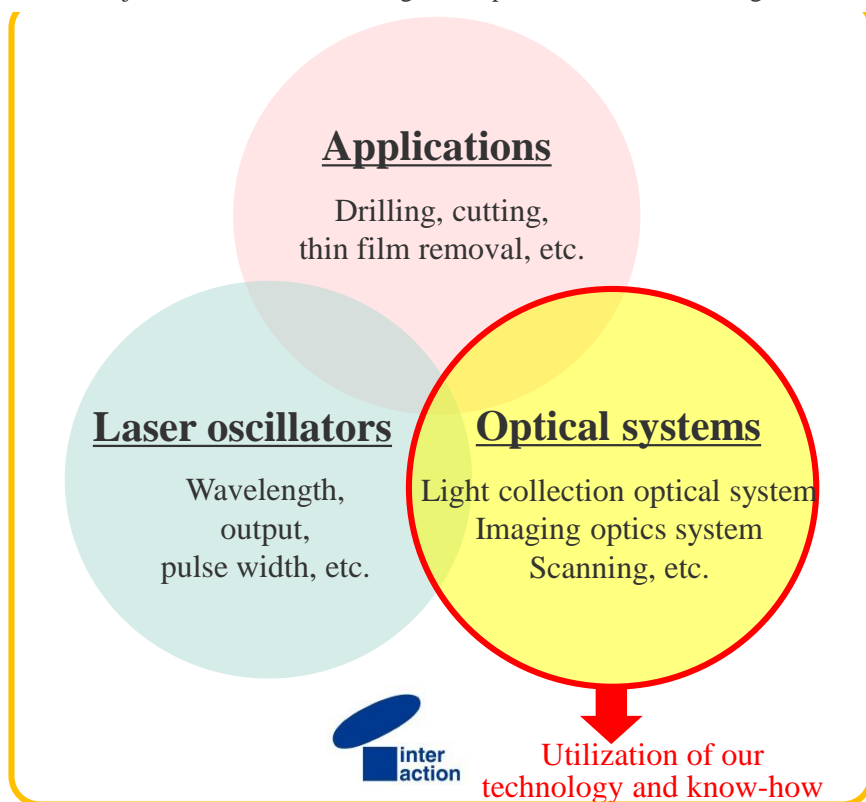
The laser illuminator/oscillator market is forecast to grow from 559.1 billion yen in 2015 to **807.0 billion yen in 2020** and then to **keep on going at an average annual growth rate of 7%**. Also, the switchover from CO₂ lasers, which had been mainstream until now, to fiber lasers is becoming pronounced.

[Synergy between laser beam machine elements and the Inter Action Group's technology]

Laser beam machines are based on three elements: laser oscillators, optical system technology, and applications. The machines must be developed and manufactured to fit the customer's needs.

Fiber lasers, to which the materials processing field in particular has been switching in recent years, are anticipated to show high growth potential. We believe that optical systems technology can make use of our technical know-how.

Three major elements in considering development of laser machining methods



Mid-Term Plan



We have established targets for three years out from our most recent full-year results in light of market volatility and our situation in taking on the challenge of venturing into new fields. Officers and employees will make a concerted effort to be able to show the world how much the Inter Action Group has grown by the fiscal year ending May 2021.

	Performance for FY ended May 2018	Target for FY ending May 2021
ROE	18.7%	20% or higher
Net sales	6 billion yen	10 billion yen or more
Operating profit ratio	16.7%	20% or higher

Key benchmarks

Equity spread
ROE
Weighted average cost of capital (WACC)

Dividend policy

Total return ratio of 30%

M&A strategy

Focus on fields of growth and potential growth.
Focus on fields where we can pursue business development by leveraging technologies and expertise built up thus far.
Achieve positive net present value calculated on the basis of estimated cash flows for five years using WACC as the discount rate.

Company Profile



Trade name: INTER ACTION Corporation

Listed on: Tokyo Stock Exchange,
First Section

Established: June 25, 1992

Securities code: 7725

Representative: Hideo Kiji, CEO & President

Fiscal year: June 1 to May 31

Capital stock: 610 million yen

URL <http://www.inter-action.co.jp>

Employees: 151 (Group-wide as of May 31, 2018)

Group companies: Air Gases Technos Co., Ltd.
Meiritz Seiki Co., Ltd.
Tokyo Technical Instruments Inc.
Xian INTER ACTION Solar Technology Corporation
Shaanxi Chaoyangyitong Precision Device Co., Ltd.
MEIRITZ KOREA Co., Ltd.
Taiwan Tokyo Technical Instruments Corp.

Head office: Yokohama Kanazawa High-Tech Center 14F
1-1 Fukuura, Kanazawa-ku
Yokohama-shi, Kanagawa
Tel: +81-45-788-8373 Fax: +81-45-788-8371

Offices: Naka-ku, Yokohama-shi; Chuo-ku, Chiba-shi;
Koshi-shi, Kumamoto

E-mail Alert Service

Receive various forms of information about the Inter Action Group via e-mail.

Link to the Inter Action website “E-mail alert service” page (in Japanese)

http://www.inter-action.co.jp/ir/ir_mail/

You may also register for the service using the QR code below.

Information you provide to us will be used solely for operating the IR e-mail alert service.

Refer to the “Privacy Policy” posted to the Inter Action website for further information on our handling of personal information (in Japanese).

<http://www.inter-action.co.jp/privacy/>



Contact Information

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<http://www.inter-action.co.jp/inquiry/>

Please contact us through the Inquiries page of the Inter Action website (in Japanese).





Notes

This document contains forward-looking statements particularly regarding Inter Action’s future performance. The Inter Action Group has formed its outlook encompassing potential risks and uncertainties based on information available at the time of disclosure. Accordingly, please be advised that actual financial results may vary substantially from the forecasts presented, given that they are subject to economic circumstances surrounding areas of business going forward, market trends, and other such factors.

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