



April 19<sup>th</sup> 2024

To all concerned,

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## Q&A for the Financial Results Briefing for the 3Q of the Fiscal Year Ending May 31<sup>st</sup> 2024 (Excerpts)

On April 12<sup>th</sup> 2024, we held an online financial results briefing for the 3Q of the fiscal year ending May 31<sup>st</sup> 2024. This document summarizes and makes public the main points of that Q&A session. Some amendments have been made for clarity.

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**Q1: For the IoT related business, could you tell us how the mix of domestic versus overseas sales changed in the 3Q versus the 2Q? Also, what proportion of domestic illuminator orders are for the new model?**

**A1:** The proportion of domestic sales remained above the proportion of overseas sales in the 3Q, largely unchanged from the 2Q. As for your second question, over 90% of large domestic illuminator orders received in the 3Q were for the new model. Though we lack visibility as to when capex will pick up at our main foreign customer, we have made preparations for when demand recovers to ensure we fully capitalize on it.

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**Q2: You have begun recording sales of the new illuminator model from the 3Q, but the consolidated GP does not appear to have changed much since the 2Q. Can you tell us to what extent the new illuminator model will contribute to improving profitability?**

**A2:** Although I cannot comment in much detail, the margins for our previous illuminator models have declined with increased competition in the market. We worked tirelessly to address this issue and came up with our new model of illuminator, the profitability of which is much improved

compared to our previous models. Furthermore, we believe that our improved product competitiveness and market share as a result of the new illuminator model, has been reflected in customer feedback.

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**Q3: Regarding the revision to the fiscal year consolidated results forecast, could you tell us the main reason why shipments are expected to increase in the 4Q? Also, am I correct in my understanding that the Pupil Lens Module® has temporarily lost market share, but, along with illuminators, demand is strong?**

**A3:** Although we originally planned for sales to be concentrated in the 4Q before making the revision, test demand at our customers was stronger than we initially expected, so we revised our forecast to reflect our new outlook of strong sales, particularly of Pupil Lens Modules® and new model illuminators. Furthermore, although Pupil Lens Module® demand has been stronger than we originally anticipated, its market share has not changed significantly. We therefore consider our next step to be regaining market share and we are taking various measures to this effect.

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**Q4: Could you tell us again about the background to the upward revision? Am I correct in thinking that it was mainly the unforeseen large orders in December that were behind it?**

**A4:** The main reason was that a portion of the large orders received between December and February are now scheduled to be recorded as sales within this fiscal year.

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**Q5: Could you give us your outlook on future orders? With overseas business, in particular, I understand that investment is picking up again with the recovery of the Chinese market, but roughly when do you expect orders to start coming in? Also, am I correct in thinking that you have been receiving large domestic orders but expect orders to subside next fiscal year?**

**A5:** For overseas orders, we expect enquiries to pick up again in the latter half of 2024 as demand for mobile and vehicle-mounted devices recovers. For domestic orders, although there is medium-to-long-term demand, we anticipate some instability. Even if demand were to temporarily subside, we aim to prepare for growth based on the medium-to-long-term capex demand we foresee, launching our three-pronged strategy for illuminator sales to our main domestic customer (please see p.13 of

our presentation materials). Having already developed the new illuminator model as part of this strategy, we plan to expand the business through our modification project as a next step. In addition, in order to steadily grow sales despite exposure to instability in the semiconductor market, we are working on ways to structure our businesses so that they are not overly influenced by customer capex trends, starting with Pupil Lens Modules®. With this groundwork in place, we believe we will be able to achieve new levels of growth when capex demand increases further. We note that this fiscal year's results could have been the strongest to date if demand from our major overseas customer had remained normal.

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**Q6: What is your outlook for next fiscal year results? If, as you say, profitability improves with a higher proportion of sales from the new illuminator model, Pupil Lens Module® demand remains strong, and capex demand at overseas customers normalizes, should we expect to see sales and OP growth, primarily driven by IoT related business strength?**

**A6:** At this point, I cannot comment in detail, but we are forecasting cautiously because there are many factors beyond our control due to the instability of the semiconductor market. That said, as a company, we aim to post both quantitative and qualitative growth every year. Even beyond our image sensor-related business, several of our other businesses are gradually finding traction and we are starting to see results. Creating a company capable of steady growth even when the semiconductor market is in a downcycle would be a source of pride, passion, and confidence amongst our employees - ourselves included. That is why we will put our best efforts into growing our existing businesses and creating new ones, in the hopes of keeping our competitive edge.

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