



January 19, 2023

Attention: All concerned parties

Company name: INTER ACTION Corporation
Representative: Nobuo Kiji, CEO & President
(Code: 7725 Prime Section of the Tokyo Stock Exchange)
Contact: Investor Relations Division,
Business Administration Group
Telephone number: +81-45-263-9220

Q&A for the Financial Results Briefing Session for the First Half of the Fiscal Year Ending May 31, 2023 (Excerpts)

On January 12, 2023, we held an online financial results briefing for the first half of the fiscal year ending May 31, 2023. This document summarizes and makes public the main contents of the Q&A session during the briefing. Some of the contents have been edited for clarity.

Q1: Can you elaborate a little more on the background to postponement of revenue recognition of illuminators for overseas customers? When will the postponed revenue be posted?

A1: There are various possible factors but we believe that the delay primarily reflected the impact of the difficulty customers faced in lining up peripheral devices other than illuminators.

On the timing of revenue recognition, it is set for the upcoming third quarter. In light of this, we currently do not see the need to make any downward revision.

Q2: There were media reports that a major domestic customer of the internet of things related works segment was contemplating a new plant. Have there been inquiries or other moves?

A2: There have been inquiries. However, we would like to refrain from going into details, which would be customer information.

We believe that domestic customers' capital investment will be strong this year and the next. For our part, we will seek to provide customers with products that can make a steady contribution to their capital investment.

Q3: Please tell us to the extent possible what the uses are for SiC dicing equipment and who the target customers are.

A3: The main usage will be wafer dicing and target customers are assumed to be semiconductor manufacturers.

While SiC processing is an extremely difficult process, the Nagasaki Office, which is scheduled to open in the coming period, expects to have some capable members joining, to lead our efforts in pushing business development firmly forward.

Q4: What are the challenges of pupil lens modules for major overseas customers?

A4: We have seen customer requirements that are difficult to address with just the technical expertise we have cultivated to date. Still, we believe we can resolve them. We will work on the issues over the next three months and aim to post revenue from the fourth quarter.

As the customer has a strong passion for the project, we will work on it with an even stronger passion to be able to respond to their desire.

Q5: Please tell us the difference between illuminators for automotive applications and illuminators for mobile applications.

A5: For one, there is durability. Because devices for automotive applications call for testing in harsh environments, inspection equipment also requires durability that can withstand such environments.

Further, many devices for automotive applications measure distance, which means light that illuminators handle has a longer wavelength and is nearer to infrared.

One issue with devices for automotive applications is that production efficiency is still low. Since our technology is essential in resolving this issue, we try to offer value propositions that would impress our customers.

Q6: With illuminators for automotive applications, do you have any plan to start business with new customers in the US?

A6: We view them as target customers. However, we are currently receiving more inquiries than we anticipated from existing customers for development projects. Thus, while continuing with steady marketing efforts, we would need to make a levelheaded judgment on where we should be focusing. Also, from a human resources perspective, there are views that allocating people to new businesses would have a more positive impact for our growth. Through business with our major customers, we are able to cover about 70% of the image sensor market. Whether we should try to capture the remaining 30% or whether we should allocate people to the creation of new businesses is a management decision that we would like to make after gathering information during the current second-half period.

Q7: You mention that up to 200 million yen will be invested each year on new businesses, with a focus on human resources. Does this mean that you will be investing deeply in the subsidiaries that belong to the promotion business of the industry 4.0 segment? Or will you also be considering investment in other companies?

A7: Investment that is necessary for growing existing businesses will be carried out outside the 200-million-yen framework. Therefore, whether we will be investing in the subsidiaries of the promotion business of the industry 4.0 segment within the 200-million-yen framework would depend on the nature of the business.

Currently, we are in the process of identifying businesses that can leverage our core technologies and contribute to the future society by pushing forward with the construction of a technology platform and marketing activities. If we decide to launch new businesses using Inter Action's light technology, then we will invest in Inter Action's human resources within the 200-million-yen framework.

In our explanation made earlier regarding the creation of new businesses, we asked for a little more time for publication of our Medium-term Business Plan that we had planned to announce in January, in order to conduct a more in-depth self-analysis and marketing. Regarding which area human resources investment will be made in, we anticipate that we will have a clearer idea by the end of May when we will be launching new businesses, but as of now, nothing is decided.

Since we are a company that develops business with a focus on people, we will be investing in our people as we proceed with product development.