



October 24, 2023

To all concerned.

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Q&A for the Financial Results Briefing for the First Three Months of the Fiscal Year Ending May 31, 2024 (Excerpts)

On October 12, 2023, we held an online financial results briefing for the first three months of the fiscal year ending May 31, 2024. This document summarizes and makes public the main points of that Q&A session. Some amendments have been made for clarity.

Q1: What kind of sales growth do you estimate in the case that you can automatize Pupil Lens Module® production? How long do you expect to spend investing in the automation?

A1: The Pupil Lens Module® domestic market is worth approximately Y1.2bn. We estimate the new overseas market to be a similar size as the domestic market, and via production automation investment, we aim to take 100% market share in both.

We are implementing automation incrementally, and expect to finish in FY 5/2026.

Q2: Do you have an update on image sensor market conditions?

A2: Investment in image sensors from our major domestic customer is strong, and we believe it will continue to be so. Our major overseas customer has wound down capex, but we expect the rebound in demand to be all the greater for it in the 2H.

As the 1Q order value has shown, we do not believe the market is as weak as some had expected.

Q3: Could you tell us your thoughts on the growth potential of mobile- and auto-related image sensors?

A3: We believe auto-related image sensors are likely to grow quicker. We have been receiving more illuminator inquiries likely tied to autos in recent years, but that does not mean that mobile-related image sensors will not grow at all.

In terms of our results, we hope to grow sales and OP by reaching 100% market share with our illuminators and Pupil Lens Module®.

Q4: Are you making progress in your development of infrared sensors?

A4: In general, photoelectric conversion element testing requires illuminators, so we believe the technology is certainly applicable. There are cases of EV manufacturers using infrared sensors rather than LiDAR, so we are developing the technology with that demand trend in mind.

Q5: How do you see orders and order continuity progressing in the future?

A5: Inquiries have come in for the 2Q, and we believe inquiries will continue to increase. Demand from our major overseas customer has calmed, and we anticipate order increase from the rebound demand.

Additionally, if we are able to grow our share in not just the illuminator but the Pupil Lens Module® market as well, we believe our growth possibilities will expand.

Q6: Has TSMC coming to Kumamoto brought any advantages or other changes?

A6: We see it as the expansion of a new business field. For example, as domestic semiconductor production steps up a notch (e.g. through TSMC's participation), more companies are voicing the desire to automate processes that employees had previously manned. As more Japanese companies involve themselves in that process, more solutions will present themselves, and we mean to take full advantage of that. This is a fine opportunity to establish businesses in fields separate to image sensor testing via other facets of optics, one of Japan's strengths, such as illumination, lasers, and imagery. We plan to make the necessary investments in personnel so as to make the best of this opportunity.