



18th April 2025

To whom it may concern,

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Q&A for the Financial Results Briefing for the 1-3Q of the Fiscal Year Ending May 31st 2025 (Excerpts)

On 11th April 2025, we held an online financial results briefing for the 3Q of the fiscal year ending May 31st 2025. This document summarizes and makes public the main points of the Q&A session. Some amendments have been made for clarity.

Q1: Although the consolidated FY 5/2025 earnings forecast remains unchanged from the revision announced at the end of the 2Q in the financial results summary, the presentation materials suggest that company may surpass that forecast. What is the actual situation?

A1: In reality, the company is outperforming the forecast, but the extent of potential upside does not meet the Timely Disclosure Standard for Earnings Forecast Revisions. Additionally, results may still fluctuate due to various future factors. As such, we have limited indications of upside to the wording used in the earnings briefing materials.

Q2: 3Q (3-month period) OP was forecast to be a loss, but the actual result was a profit, with approximately ¥200 million upside versus plan. What is the reason behind this? Did businesses other than the IoT-Related business contribute?

A2: The primary factor was strong gear testing equipment sales in the Promotion of Industry 4.0 business. In addition, we recognize that the results from our ongoing profitability improvement

efforts led by the VG Strategy Office are finally beginning to be reflected in our figures.

Q3: While there appears to be no direct effect of U.S. tariffs on the business, what kind of indirect impact do you anticipate?

A3: Although it is currently difficult to make clear predictions due to the high level of uncertainty, we believe that there is a possibility of a temporary increase in demand driven by preemptive purchasing ahead of the tariffs; in other words, customers ‘buying now before it’s too late’. Even if tariffs were to have a negative impact on our business, our policy is to respond to these external conditions by offering higher value-added products and building a more efficient business structure. At this point, we do not have any significant concerns.

Q4: Regarding the earnings outlook for the next fiscal year (FY 5/2026), while the consolidated order backlog as of the 3Q is ¥1,781 million, the forecast for consolidated sales in the 4Q (3-month period) is ¥1,545 million. Given this information, could you tell us the status of orders heading into the next fiscal year?

A4: In 1H 5/2026, we believe capex demand at customers may temporarily slow down, but we expect a recovery either late in the 1H or in the 2H. That said, in the medium to long term, FY 5/2027 is likely to be a critical period and we are steadily preparing with that in mind. This outlook is based on expectations that as image sensors develop (shift towards larger formats), customers will experience changes in manufacturing efficiency and a decline in yield, which will likely necessitate renewed capex to secure production volumes. Additionally, even if capex were to temporarily decline, we are working to establish a system in which other businesses can drive growth.

Q5: Could you provide more specific details regarding the intended uses and timeline for your cash allocation strategy?

A5: Regarding the timeline for cash utilization, in the medium to long term, we consider the next 5 years to be a critical period. We recognize that making appropriate investments during this time will have a significant impact on what our company will look like beyond 2030. In the short term, we view the next 1-2 years, in particular, as a focused period for business and strategic investments. Our

policy is to carry out investments starting with human capital, followed by areas such as business operations, systems, AI, and partnerships. Additionally, we believe holding cash itself helps build trust and is important for advancing collaborations with strategic partners. Therefore, we intend to use our funds while balancing financial soundness and growth investments.

Q6: Could you provide an update on the domestic market share of the Pupil Lens Module® and the progress of mass production adoption among overseas customers?

A6: While there has been no significant change in the domestic market share, we are progressing with the development of competitive products and are creating a framework for recovery. We will continue our R&D efforts, focusing on improving customer productivity.

As for mass production adoption by our major overseas customer, we are making steady progress while starting small and are currently at the stage of fine-tuning the mass production processes. Once mass production is fully underway, we expect it to contribute further to our earnings.

Q7: It was mentioned that the automated production line for Pupil Lens Modules® is scheduled to begin operation in FY 5/2026. Could you provide an update on its progress?

A7: The project is progressing largely as planned, with the goal of beginning operations within FY 5/2026, and some of the equipment has already started to be delivered. In order to regain domestic market share and expand internationally, it is essential to establish a system of delivering a high-quality and stable supply. Based on this requirement, we are investing in the automated production line.

Additionally, we view this automated line as a new foundation marking a shift from our previous manufacturing approach.

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