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To whom it may concern

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Q&A for the Financial Results Briefing for the 2Q of the Fiscal Year Ending May 31, 2026 (Excerpts)

Our company conducted an online financial results briefing for the second quarter of the fiscal year ending May 31, 2026, on January 9, 2026. This document summarizes and presents the main points from the Q&A session held during that briefing. Please note that some content has been edited and revised for clarity and ease of understanding.

Q1 : You mentioned that orders from major overseas customers are increasing and that their strong capital investment appetite is expected to continue through the second half of this fiscal year and into the next. At present, are these customers primarily investing in Asia as before, or is investment shifting to other regions such as the United States? Since costs and safety standards differ between Asia and the U.S., could you share your current outlook and preparations to the extent possible?

A1 : While we are unable to disclose specific details, as this relates to customer information, our current assumption is that transactions will proceed as usual with existing customers, methods, and locations. We do not anticipate any special preparations or adjustments on the transactional or supply chain side. While investment and expansion into regions beyond our traditional markets, such as the United States, remain possible, we have not received any specific inquiries or information from customers currently.

Q2 : Regarding the second half of this fiscal year through the next fiscal year, what level of growth in sales of pupil lens modules® to overseas customers should we expect? Please provide an estimate of the scale in terms of orders, sales, and other relevant indicators.

A2 : While we are unable to provide quantitative details, we expect the scale to be significant from the second half of this fiscal year through the next fiscal year. We also aim to secure substantial orders by the end of this fiscal year.

Q3 : Regarding order trends from domestic customers, you mentioned that a full-scale recovery may not occur until the next fiscal year or later. When do you anticipate this recovery to take place?

A3 : While it is difficult to provide a specific timeline at this point, we believe that a recovery in orders from domestic customers will occur over the medium to long term rather than in the short term. Given trends such as AI factories and the advancement of autonomous driving, sensors are effectively the “raw materials” for AI, and their importance is expected to continue growing. Since domestic customers play a key role in these areas, we see them as having strong medium- to long-term growth potential and are not overly concerned.

In addition, we are also seeing stronger capital investment appetite from overseas customers. As a result, we will focus our efforts on overseas markets going forward. While capital investment by domestic customers is not entirely stagnant, our strategic priority is currently on overseas markets, and we are allocating resources accordingly.

Q4 : What factors contributed to the increase in orders in the IoT-related business compared to the first quarter of the fiscal year ending May 31, 2026?

A4 : This was primarily due to increased orders from overseas customers.

Q5 : What specifically does “semiconductor line-side” refer to? Please explain why this is an attractive market for your company and what strengths you are leveraging.

A5 : It refers to measurement and inspection activities conducted alongside semiconductor manufacturing lines—specifically in areas close to production equipment. We are targeting the measurement equipment market used by engineers and developers involved in semiconductor manufacturing lines.

The market size per project is estimated at approximately JPY 1–5 billion. For large corporations, the expected return is often relatively small compared to their overall scale, which tends to limit active participation. In contrast, this market size is well suited to our company and is therefore attractive. In addition, our strategy is not to capture just one such market, but to develop and accumulate a diverse range of measurement instruments for semiconductor line-side applications, with the goal of building and expanding a continuously evolving product portfolio.

In the semiconductor measurement field, we have technical strengths and know-how, including those derived from our core Illuminator business. At the same time, our approach places strong emphasis on leveraging the sales, marketing, and planning capabilities of departments such as our Product Planning Division, and we are building the necessary organizational structure to execute this strategy.

Regarding our specific plans, we aim to launch a new product in 2026. We will share further details once we are in a position to make an official announcement.

Q6 : Are mid-range Illuminators primarily targeted at non-mobile applications? Also, what market size do you anticipate?

A6 : We recognize that the target area for mid-range products includes some mobile applications; however, our primary focus is on non-mobile sectors. In particular, we view the automotive and robotics fields as the main target markets.

Especially in the automotive field, the accuracy of sensor data is critical for AI to make appropriate decisions in autonomous driving. Our role is to ensure the quality and reliability of that measurement data, and we believe it is important to develop and introduce products for this sector.

Regarding market size, since the market is still in its early stages and many factors remain uncertain, it is difficult to provide a concrete estimate at this time. However, in the automotive image sensor market, there is a view that “each vehicle could potentially incorporate more than ten units,” and we therefore see this as a market with significant growth potential.

Q7 : Please explain the background behind separating the VG Strategy Office. What are the benefits of this organizational structure?

A7 : Previously, the VG Strategy Office covered a wide range of functions—including planning, marketing, and development—which made its role broad and, at times, unclear. By separating these functions, we aim to clarify responsibilities and improve operational efficiency.

In addition, the name “VG Strategy Office” sometimes made external partners hesitant when we approached them for partnerships. We therefore concluded that changing the name to the “Product Planning Department” would make it easier to engage with partners and naturally capture customer needs.

Under the new structure, the Product Planning Department is responsible for planning based on customer needs, while the newly established New Product Development Department is responsible for reliably translating those plans into actual products. We believe this streamlined collaboration—from planning through development—will accelerate new product launches.

Furthermore, by assigning accountable managers to each department and clarifying the management structure, we aim to speed up decision-making and execution.

By driving both the Product Planning Department and the New Product Development Department, we will continuously launch new products and strengthen our earnings capability.

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