

Consolidated Financial Summaries for the First Half of the Fiscal Year Ending May 31, 2007 (June 1, 2006 – November 30, 2006)

Company name: **INTER ACTION Corporation** Stock exchange listing: TSE Mothers Market
 Stock code: 7725 Company domicile: Kanagawa Prefecture
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 Date of Board of Directors meeting for approving financial results: January 19, 2007
 Accounting principle: Japanese GAAP

1. Financial Results for the First Half Ended November 30, 2006 (June 1, 2006 – November 30, 2006)

(1) Consolidated Results of Operations

(All amounts are rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
First half ended November 2006	1,054	24.5	47	-	46	-
First half ended November 2005	846	-	(63)	-	(56)	-
Fiscal year ended May 2006	2,090		155		141	

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
First half ended November 2006	(47)	-	(752)	-
First half ended November 2005	(30)	-	(490)	-
Fiscal year ended May 2006	96		1,535.65	1,534.55

Notes: 1. Earnings (losses) of affiliated companies under equity method

First half ended November 2006: - million yen

First half ended November 2005: - million yen

Fiscal year ended May 2006: - million yen

2. Average number of shares outstanding (consolidated)

First half ended November 2006: 62,630 shares

First half ended November 2005: 62,820 shares

Fiscal year ended May 2006: 62,820 shares

3. Change in accounting principles applied: None

4. The percentages shown for sales, operating income, ordinary income, and net income represent changes from the same period of the previous fiscal year.

5. Year-on-year comparisons are not available for the first half ended November 2005 since the Company started preparing consolidated financial statements effective from the previous fiscal year ended May 2006.

(2) Consolidated Financial Position

(All amounts are rounded down to the nearest million yen)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of November 30, 2006	4,205	2,340	55.6	37,839.08
As of November 30, 2005	4,544	2,456	54.1	39,106.28
As of May 31, 2006	4,916	2,579	52.5	41,066.15

Note: 1. Number of shares outstanding at the end of the period (consolidated):

As of November 30, 2006: 61,841 shares

As of November 30, 2005: 62,820 shares

As of May 31, 2006: 62,824 shares

(3) Consolidated Cash Flow Position

(All amounts are rounded down to the nearest million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First half ended November 2006	153	(37)	(442)	1,821
First half ended November 2005	386	(158)	19	2,621
Fiscal year ended May 2006	154	(404)	23	2,141

(4) The Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries:	1
Non-consolidated subsidiaries under equity method application:	-
Affiliates under equity method application	-

(5) Changes in the Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries (Newly added):	-
(Excluded):	-
Affiliates under equity method application (Newly added):	-
(Excluded):	-

2. Consolidated Forecasts for the Fiscal Year Ending May 31, 2007 (June 1, 2006 - May 31, 2007)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	1,954	45	(30)

Reference: Estimated net income per share for the full year: (485.12) yen

Please refer to page 7 of the attached document for precondition and assumption as the basis of the above forecasts.

Note: Forecasts regarding future performance in these materials are based on estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors.

1. Corporate Group

The INTER ACTION group (the Group) is made up of INTER ACTION Corporation (the Company) and one subsidiary BIJ Corporation (BIJ) and develop, manufacture and sale of electronics testing equipment and security systems.

Business activities and the positioning of each company are as follows.

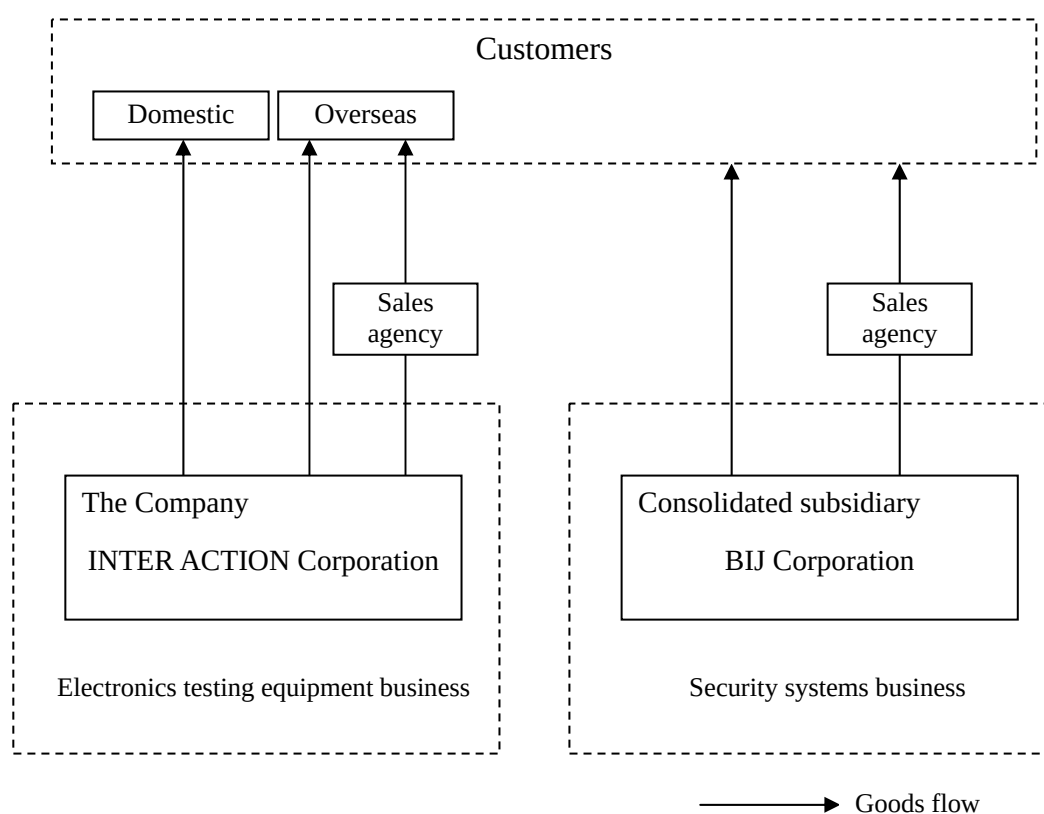
Electronics testing equipment business

Activities include development, manufacture and sale of illuminators, IP modules and other optical testing equipment for use on the production lines of semiconductor imagers (CCD/C-MOS imagers), camera modules and display devices.

Security systems business

The Company established a subsidiary BIJ on June 2005 for the purpose of development and sale of security systems. Activities include the development, manufacture and sale of security system and environmental monitoring products that use sheet beam sensors, a type of infrared sensor, heterocore optical fiber sensors, which use patented technology, and other technologies.

A flowchart of business operations is as follows.



A summary of group company is as follows.

Consolidated subsidiary

Name	Address	Capital (million yen)	Major activities	Voting rights held or Company stock held (%)	Relationship
BIJ Corporation	Yokohama-city, Kanagawa	70	Security systems business	100	Joint director: 1 Financial support

Note: Major activities use the same names as for the respective business segments.

2. Management Policies

(1) Fundamental Management Policy

The Group bases all its operations on the management philosophy of “Client Always Comes First.” The Group’s objective is to contribute to society by using its core optical, image processing and mechanical technologies to supply products and services that meet the needs of clients. The Group defines “client” as not only companies that purchase its products and services, but also as shareholders, employees, residents of communities where the Group has facilities and all other stakeholders. The Group exists for the purpose of contributing to the well-being of all stakeholders through its business activities.

The Group’s motto is “Excelsior, Laboramus” (ever upward, let’s keep working), with the goal of maintaining a workforce made up primarily of young engineers and a spirit of “fair, open, challenging” aiming to gain expertise in even more advanced technology to meet the expectations of its clients. As a small venture capital-backed company with small organization, INTER ACTION Group is determined to remain a company that retains the spirit of its entrepreneurial origin. To accomplish this, the Company believes that it must continuously conduct R&D activities based on the spirit of constantly thinking creatively.

(2) Fundamental Policy Regarding Allocation of Earnings

INTER ACTION believes that a stable dividend and growth in its enterprise value are important means of returning earnings to shareholders. The Company’s policy is to retain sufficient earnings to strengthen its operating base and continue to pay a stable dividend, while taking into consideration the current operating environment and long-term outlook.

(3) Position and Policy Regarding Reduction in Investment Unit

The Company believes that a reduction in the investment unit to allow the purchase of relatively small amounts of stock is an effective means of raising liquidity, attracting more shareholders and increasing trading activity on the stock market. The policy is to review the stock trading unit in an appropriate manner.

(4) Targeted Performance Indicators

From the standpoint of increasing shareholder value, INTER ACTION places priority on improving the ROE and other related indicators for the purpose of continued increasing its enterprise value. Maximizing earnings from the capital entrusted to the Company by shareholders is viewed as the purpose for the Company’s existence. Resources are both channeled to fulfilling this goal. Management also places importance on cash flows. Cash flows will be invested in R&D and capital expenditures in promising business fields to further increase future cash flows. The objective is raising the Company’s enterprise value over the long term.

(5) Medium- and Long-term Management Strategies

For illuminators, IP modules and other optical testing systems, the Group will continue to work on developing technologies and lowering manufacturing cost while positioning this business as its primary business. In addition, the Group will continue to make substantial investments in order to use optical, image processing and mechanical technologies, all of which are its key strengths, not only to create new semiconductor testing systems, but to develop new products for the security and environmental monitoring markets.

Regarding production activities, the Group is positioning the Kumamoto Plant (Kumamoto FAB), which has been operating in full-scale since the beginning of 2006, as its primary manufacturing base. The aim is to improve the gross profit margin and raise productivity for the entire Group.

Furthermore, by reinforcing its sales organization and support functions in order to expand its business in display device testers (including camera module testing systems and illuminator for rear-projection LCD panels) as well as security systems and environmental monitoring products, the Group aims to develop these into core businesses alongside its illuminators and IP modules.

(6) Key Issues

The Group is dedicated to sustaining growth by meeting the various demands of customers through the use of creative ideas and innovative technologies. To achieve this growth, the Group is focusing on the following issues with the aim of strengthening its operating framework.

1) Recruiting skilled individuals

As a fast growing, development-oriented organization, the Group needs engineers and other young and talented individuals. The Group will continue to work hard at hiring new college graduates and mid-career professionals. In addition, many measures are taken to improve the skills of the current workforce. Through these activities, the Group aims to give its young and talented workers the skills they need to contribute to the Group's growth.

The Group employed six new graduates in April 2006, nine mid-career individuals since the beginning of the current fiscal year, mainly in order to reinforce the development, manufacturing, and sales division.

2) Rapidly responding to customers' needs

The Group is active in business fields characterized by changes that are both rapid and enormous in scale. That means it is essential to identify as quickly as possible future trends in customers' needs associated with changes in the operating environment. It is also vital to use this insight to develop new products. The Group is working on enhancing its marketing activities and assembling a more efficient product and technology development framework.

In the electronics testing equipment business, the Company has developed a new type of illuminator to help semiconductor manufacturers sharply increase productivity. New functions have also been added to the camera module testing system that the Company began marketing last fiscal year. Going forward, the Company will strive to develop new products that meet customer's needs.

Regarding sales structure, the Company has established a new location in Kyoto to provide prompt support to customers in the Kansai area. The Company is working in close cooperation with overseas agents in three countries to grasp customer needs.

3) Raise the gross profit margin and boosting productivity

As a manufacturer, the Group is constantly seeking ways to improve its gross profit margin and raise productivity while maintaining the same high level of quality. To achieve these goals, the Group will work even harder at improving productivity and manufacturing infrastructure, with activities focused at the Kumamoto FAB in full-scale operation.

4) Strengthen the base of operations

On May 29, 2006, the Company established a fundamental policy concerning internal controls. To reinforce its base of operations, the Company is constantly reviewing its organization and operating methods for the purposes of enhancing corporate governance and ensuring the effective functioning of risk management systems, compliance programs and other elements of its internal control system.

With respect to employee training, the Company is working to reinforce its business foundation by actively conducting compliance, hierarchical, and other training for all of its officers and employees.

(7) Parent Company, etc.

No reportable information.

(8) Other Important Management Matters

No reportable information.

3. Results of Operations and Financial Position

(1) Results of Operations for the First Half Ended November 30, 2006

Early in 2006, some manufacturers in Japan and other countries made substantial capital expenditures, primarily to increase output of C-MOS imagers. Quarterly sales rose to a record high, backed mainly by orders for illuminators, in the fourth quarter of the previous fiscal year (March-May 2006). Since the beginning of the current fiscal year, the Company has been steadily filling orders mainly for illuminators, however, some Japanese and foreign manufacturers have rapidly reduced their capital expenditures due to excess inventories, mainly of CCD/C-MOS imagers used in camera-equipped mobile phones. This downturn caused delays in decisions to make expenditures and postponements of some orders already placed. To increase their production capabilities, a growing number of manufacturers have been remodeling and upgrading existing facilities while holding down purchases of new equipment. Therefore, it became difficult for the Company to achieve its initial forecast for sales and ordinary income for the interim period under review.

On the other hand, after overhauling its product line-up and actively pursuing orders, the consolidated subsidiary BIJ Corporation that operates the Group's security systems business has received orders for parts of major development projects, and some of these orders are expected to contribute to consolidated sales in the current fiscal year. As a result, the Company expects to record a profit in the second half, but it does not expect to be able to post a profit for the full fiscal year. Therefore, it has become necessary to revise the tax-effect accounting, and the Company posted net loss resulting from the deferred income tax of 52 million yen.

Due to the above items, consolidated net sales in the current first half totaled 1,054 million yen, ordinary income was 46 million yen and net loss was 47 million yen. Compared with the previous first half, these were increase of 207 million yen, 102 million yen, and decrease of 16 million yen, respectively.

Sales by product category were as follows.

In electronics testing equipment business, illuminator sales were 733 million yen (139.2% of the same period in the previous fiscal year), which was 69.5% of total sales, as the Company sold 57 units.

IP module sales were 67 million yen (129.1%), which was 6.4% of total sales, as the Company sold 16 units.

Sales of supplied parts, units and maintenance services were 250 million yen (99.6%), which was 23.8% of total sales.

In security systems business, sales was 2 million yen (17.6%), which was 0.3% of total sales.

(2) Financial Position

Cash and cash equivalents totaled 1,821 million yen as of November 30, 2006, 320 million yen less than at the end of the previous fiscal year.

Operating activities

Net cash provided by operating activities was 153 million yen. Major sources of cash were decrease in trade receivable of 371 million yen reflecting progress in the collection of trade receivables. A 130 million yen of income tax payments was the primary use of cash.

Investing activities

Net cash used in investing activities was 37 million yen. The primary use of cash was payment for acquisition of tangible fixed assets.

Financing activities

Net cash used in financing activities was 442 million yen. The primary use of cash was the repayment of 215 million yen for long-term borrowings and the payment of 167 million yen for acquisition of treasury stock.

Trends in cash flow indicators are as follows.

	First half ended Nov. 30, 2005	First half ended Nov. 30, 2006
Shareholders' equity ratio	54.1%	55.6%
Market cap shareholders' equity ratio	221.2%	226.4%
Debt repayment multiple	2.4 years	5.2 years
Interest coverage ratio	34.8	13.5

Note: The shareholders' equity ratio is shareholders' equity divided by total assets.

The market capitalization shareholders' equity ratio is market capitalization divided by total assets.

The debt repayment multiple is interest-bearing debt divided by operating cash flows.

The interest coverage ratio is operating cash flows divided by interest payments.

* Market capitalization is computed by multiplying the closing price of stock on the balance sheet date by the number of shares outstanding on the balance sheet date.

(3) Outlook for the Fiscal Year Ending in May 2007

In the current fiscal year ending May 2007, in the electronics testing equipment business, there are currently no expectations of a rapid rebound in capital spending. Therefore, the Company expects sales of 1,954 million yen, ordinary income of 45 million yen and a net loss of 30 million yen, as stated in the "Notice of Revisions to Operating Forecasts" issued on December 26, 2006.

Along with focusing its efforts on marketing, the Company will work even harder to cut the cost of sales and other operating expenses.

Regarding dividends, management believes that raising corporate value and paying adequate dividends are important methods of sharing profit with our shareholders. INTER ACTION's basic policy is to pay stable dividends while at the same time building up adequate reserves to strengthen the company's financial position. In accordance with this policy, we plan to declare a dividend of 600 yen per common share applicable to the fiscal year ending May 2007.

As explained in the section on Fundamental Management Policy, INTER ACTION firmly believes that relentless research and development is the key to the company's survival and growth. Our commitment to stepped-up research and development reflects these policy considerations.

(4) Risk Factors Concerning Business Operations and Other Items

This section lists the major items that the Group views as possible risk factors with regard to its business activities. From the standpoint of information disclosure, the Group aggressively discloses information on items that it believes are important with regard to investment decisions even if such items do not fall within the scope of risk factors.

Recognizing that these risks may occur, the Group has a policy of taking steps to prevent their occurrence and to prepare responses. However, investment decisions regarding the Group's stock should be made only after a careful examination of the items listed below and other information in this document.

Forward-looking statements are based on the Company's judgments as of the end of the first half of the fiscal year under review.

1) Industry Trends

a. Demand trends

Demand for illuminators and IP modules, primary products of the Group's electric testing equipment business, is vulnerable to trends in CCD/C-MOS imager-related capital expenditures by semiconductor manufacturers.

The Group's operating results could be affected by a number of changes in demand: trends in the upgrading of existing CCD/C-MOS imager products and the development of new products; sales trends of products incorporating CCD/C-MOS imagers and the development of and investment in new products using these imagers; and trends in capital expenditures by semiconductor manufacturers in the CCD/C-MOS imager field. In the event of a change in management policies or the operating environment of semiconductor manufacturers, there could be a change in capital expenditure trends in the CCD/C-MOS imager field that could affect the Group's operating results.

Capital expenditures by camera module manufacturers are susceptible to changes in demand for mobile phones, the primary application for these modules, the percentage of these phones equipped with cameras, and other items. These changes could affect the Group's operating results.

In the security systems business, the Company is working to develop competitive proprietary products based on its own optical technology. However, this is a new business area for the Group, so actual results may diverge from the business forecast depending on whether it is successful in cultivating new markets.

b. Competition

There are currently several manufacturers of illuminators, the Group's electronics testing equipment's main product. As a pioneer in illuminators, the INTER ACTION Group has been working closely with major semiconductor manufacturers to continually bring advanced CCD/C-MOS imagers to the market by leveraging promising new technologies. While doing so, the Group has accumulated considerable technological know-how in this area. The Group is distinguished by its ability to manufacture and sale illuminators that are customized to match customer needs. The Company addresses customer needs by pro-actively identifying their requirements and quickly commercializing new technologies in response.

In camera module testing systems, the Company has launched a unique product incorporating an in-house developed lens that makes the system much smaller and permits a high degree of automation, and also supports new features such as focus adjustment. INTER ACTION is the only company to offer such products in industry.

In security products, a number of companies are marketing competing products, but the Company intends to develop and sale products that are competitive and unique by applying its own optical technology.

The Group will continue to take steps to distinguish it from competitors and develop and sell unique products in order to become more competitive and increase its market share. In the event that competitors allocate more resources to the illuminator market, or in the event of the emergence of new competitors in Japan or overseas, the Group's competitive position and market share could be affected.

c. Responses to technological progress

In the electric testing equipment business, the Group believes that there will be a growing need among semiconductor and module manufacturers for technology that can reduce testing cost and time per unit. Moreover, companies are developing CCD/C-MOS imagers with even higher resolution and performance. This is expected to lead to demand for illuminators and camera module testing systems with even better performance and high-speed.

In the security system business as well, the Group foresees growing demand for greater product reliability along with lower costs. The Group will work hard at developing products that can respond to these demands.

However, if there is a significant change in demand in relation to the forecast, or if the Group experiences delays or failures in the development of products incorporating new technology, there could be an impact on operating results.

2) Nature of Business Operations

a. Small scale

INTER ACTION Group is a small organization. As of November 30, 2006, there were 68 employees. The source of the Group's ability to compete is its skill in developing technology. That means most of its workforce is made up of engineers who are highly skilled in their respective areas of specialty.

The Group is working to enhance its ability to conduct business operations, but due to its small scale, there is a considerable reliance on human resources. In the event that employees were unable to perform their duties for some reason, or that employees left the Company, the Group could experience difficulty conducting business operations.

On the other hand, rapid growth is causing an increase in fixed expenses, which could affect operating results.

b. Hiring and retaining personnel

As skill in developing technology is the source of the Group's ability to compete, the Group must hire and retain engineers with specialized knowledge. Furthermore, to support growth, the Group must hire personnel for sales, manufacturing, administration and other tasks. The Group is working on hiring talented individuals and training its employees. However, in the event that recruiting activities or internal training programs do not proceed as plans, the Group's operating results could be affected.

c. Reliance on management team

Since the Group's establishment, Hideo Kiji, the Group's founder and chairman has played an important role in formulating management policy, sales activities, R&D activities, product development, and other activities, but he resigned from the Company on December 31, 2006.

For some time, the Company has recognized that it must build a management framework that is not overly reliant on certain officers, so it has been striving for systematic business execution by establishing a system in which individual officers are responsible for certain business areas and by actively transferring authority. Therefore, the resignation of Hideo Kiji will not have a major impact.

However, it is possible that management may not be able to conduct business operations for some reason, or that a senior manager resigns. Such events could affect the Group's operating results.

d. Manufacturing infrastructure

The Group's basic policy is to perform all manufacturing processes internally, except metal processing and wiring. However, if the Group outsources key production processes and its technology or know-how is transferred to the outsourcing company as a result, there could be an impact on operating results. In addition, the Group has taken steps to establish an adequate internal and external manufacturing infrastructure for future business expansion, such as by building the Kumamoto FAB. However, if the switch between internal and external production or the establishment of production capacity does not proceed as planned, or if there is a sudden deterioration in the operations of a company to which manufacturing is consigned or a change in its management policy, or a large order is received that exceeds the Group's production capacity, there could be delays in production that would impact operating results.

The Group exercises care during the development, manufacture, sale and maintenance of products so as to supply products that are not defective with regard to quality or performance. On October 13, 2006, the Company established Product Quality Division to ensure product quality. Thus far, no customers have ever asked the Group to take responsibility for a defect. However, if there is a defect in the future, the Group could be asked to assume responsibility. To reasonably account for repair costs of defective products under the product warranty, an allowance is provided for product warranty. However, the Group's operating results might be impacted if any future repair costs significantly exceed the reserve. Furthermore, legal action taken by another company regarding an alleged defect in a Group product could have an impact on operating results.

e. R&D system

R&D is at the heart of the Group's ability to compete. Many of the Group's employees are assigned to R&D activities in its respective businesses. These individuals work on basic research and new product development in the OPT Division, CCT Division, IP Division, Kumamoto TSDC and technical development division of BIJ Corporation.

The Group intends to improve its R&D results by strengthening its R&D system. However, time is needed from the concentrated deployment of resources to a research theme until results are obtained. The Group's earnings could be held back during this period. Furthermore, concentrating resources on a particular research theme could result in shortages of resources for other tasks, such as manufacturing, sales and internal management. This could be an impediment to conducting business activities.

f. Effect of changes in foreign exchange rates

The Group's operating results and financial position are affected by changes in foreign exchange rates. Such changes may have an effect on the yen translations of assets and liabilities associated with foreign currency-denominated business transactions. Furthermore, such changes may have an effect on prices and sales of products and services provided on a foreign currency basis.

3) Legal Restrictions

Presently, there are no legal restrictions on the Group's ability to conduct business activities. However, there could in the future be legal restrictions of some sort on the import and/or export of the Group's products or of products in which the Group's products are an important component. It is also possible that the Group would need to obtain permission for import and/or export activities. In either case, the Group's operating results could be affected.

Operating results could also be affected by the imposition of some sort of legal restriction on operations within Japan.

4) Patents

The Group places importance on patents as a form of intellectual property and acts aggressively to acquire necessary patents. However, the Group's policy is to apply for patents mainly for technologies where the public disclosure of technical information for the patent process would not result in another party copying the technique or developing a similar technology. Nevertheless, the disclosure of information during the patent application process does create the possibility that other companies could develop and/or patent a related technology or product. In such a case, the Group's operating results could be affected.

The Group exercises care to avoid infringing on patents when developing products, but the possibility of such an infringement does exist. Furthermore, depending on the status of patent applications and approvals in Japan and overseas, including in the growing number of business model patent applications, it is possible that a patent related to the Group's products and businesses could be granted to another company. Therefore, the Group could be infringing on another company's patent at this time or in the future. In the event that the Group is sued for patent infringement by another company, its operating results could be affected.

** This financial report is solely a translation of summary of "kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*

4. Interim Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Account	Period	FY5/06 Interim As of Nov. 30, 2005		FY5/07 Interim As of Nov. 30, 2006		FY5/06 As of May 31, 2006	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits in banks		2,675,026		1,873,666		2,196,854	
2. Trade notes and accounts receivable		508,065		645,629		1,015,140	
3. Securities		19,965		19,984		19,967	
4. Inventories							
5. Other current assets		430,456		631,215		564,971	
6. Allowance for doubtful accounts		88,554		106,382		127,697	
Total current assets		(517)		(257)		(242)	
II Fixed assets		3,721,551	81.9	3,276,619	77.9	3,924,389	79.8
1. Tangible fixed assets	*1,2						
(1) Buildings and structures		-		399,074		404,494	
(2) Other tangible fixed assets		613,130		322,738		332,608	
Total tangible fixed assets		613,130		721,812		737,103	
2. Intangible assets		15,405		25,101		22,081	
3. Investments and other assets		194,743		182,122		232,578	
Total fixed assets		823,279	18.1	929,037	22.1	991,763	20.2
Total assets		4,544,831	100.0	4,205,657	100.0	4,916,152	100.0

Yen in thousands

Period Account		FY5/06 Interim		FY5/07 Interim		FY5/06	
		As of Nov. 30, 2005		As of Nov. 30, 2006		As of May 31, 2006	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable		50,928		50,287		170,669	
2. Short-term borrowings *2		348,382		330,012		380,012	
3. Current portion of corporate bonds		-		490,000		522,000	
4. Reserve for product warranty		8,698		12,290		7,567	
5. Other current liabilities		233,332		185,393		293,791	
Total current liabilities		641,340	14.1	1,067,983	25.4	1,374,039	27.9
II Long-term liabilities							
1. Corporate bonds		490,000		-		-	
2. Long-term borrowings *2		952,478		792,466		957,472	
3. Reserve for retirement benefits		4,356		5,202		4,701	
Total long-term liabilities		1,446,834	31.8	797,668	19.0	962,173	19.6
Total liabilities		2,088,174	45.9	1,865,651	44.4	2,336,212	47.5
Shareholders' equity							
I Common stock		1,101,259	24.2	-	-	-	-
II Capital surplus		1,032,259	22.7	-	-	-	-
III Retained earnings		485,167	10.7	-	-	-	-
IV Unrealized holding gain (loss) on other securities		1,780	0.1	-	-	-	-
V Treasury stock		(163,811)	(3.6)	-	-	-	-
Total shareholders' equity		2,456,656	54.1	-	-	-	-
Total liabilities and shareholders' equity		4,544,831	100.0	-	-	-	-
Net assets							
I Shareholders' equity		-	-	1,102,711	26.2	1,101,360	22.4
1. Common stock		-	-	1,033,711	24.6	1,032,360	21.0
2. Capital surplus		-	-	533,935	12.7	612,472	12.4
3. Retained earnings		-	-	(330,904)	(7.9)	(163,811)	(3.3)
4. Treasury stock		-	-	2,339,454	55.6	2,582,381	52.5
Total shareholders' equity							
II Valuation and translation adjustments							
1. Unrealized holding gain (loss) on other securities		-		551		(2,441)	
Total valuation and translation adjustments		-	-	551	0.0	(2,441)	(0.0)
Total net assets		-	-	2,340,006	55.6	2,579,940	52.5
Total liabilities and net assets		-	-	4,205,657	100.0	4,916,152	100.0

(2) Consolidated Income Statement
Yen in thousands

Account	Period		FY5/06 Interim		FY5/07 Interim		FY5/06	
	Jun. 1, 2005 – Nov. 30, 2005		Jun. 1, 2006 – Nov. 30, 2006		Jun. 1, 2005 – May 31, 2006			
	Amount		%		Amount		%	
I Sales		846,918	100.0		1,054,343	100.0	2,090,415	100.0
II Cost of sales		500,651	59.1		507,746	48.2	1,114,622	53.3
Gross profit		346,266	40.9		546,596	51.8	975,792	46.7
III Selling, general and administrative expenses		409,571	48.4		498,764	47.3	820,286	39.3
Operating income (loss)		(63,305)	(7.5)		47,832	4.5	155,506	7.4
IV Non-operating income								
1. Interest income	1,427			2,662		3,714		
2. Dividend income	0			0		0		
3. Foreign exchange gain	17,100			11,797		3,672		
4. Additional tax refund	4,033			-		4,033		
5. Rent for rental assets	-			6,952		-		
6. Other non-operating income	898	23,459	2.8	1,288	22,701	2.2	5,559	16,979
V Non-operating expenses								
1. Interest expenses	11,092			11,414		23,002		
2. Charges for rental assets	-			4,584		-		
3. Loss on disposal of raw materials	-			4,406		-		
4. Amortization of initial expenses	3,067			-		3,067		
5. Other non-operating expenses	2,042	16,201	1.9	3,988	24,394	2.3	4,595	30,665
Ordinary income (loss)		(56,046)	(6.6)		46,139	4.4		141,820
VI Extraordinary income								
1. Reversal of product warranty	6,277			3,810		10,504		
2. Other extraordinary income	300	6,577	0.8	155	3,965	0.4	574	11,079
VII Extraordinary loss								
1. Losses on disposal of fixed assets	-			451		1,341		
2. Other extraordinary losses	22	22	0.0	-	451	0.1	-	1,341
Net income (loss) before income taxes		(49,490)	(5.8)		49,653	4.7		151,559
Income taxes - current	13,186			67,042		133,801		
Income taxes - deferred	(31,843)	(18,656)	(2.2)	29,735	96,778	9.2	(78,711)	55,089
Net income (loss)		(30,834)	(3.6)		(47,125)	(4.5)		96,469

(3) Consolidated Statement of Surplus and Changes in Shareholders' Equity

Consolidated surplus statement

Yen in thousands

Period Account		FY5/06 Interim	
		Jun. 1, 2005 – Nov. 30, 2005	
		Amount	
Capital surplus			
I	Balance at beginning of period		1,032,259
II	Balance at end of period		1,032,259
Retained earnings			
I	Balance at beginning of period		523,540
II	Decrease in retained earnings		
1.	Net loss	30,834	
2.	Cash dividends paid	7,538	38,372
III	Balance at end of period		485,167

Consolidated statement of changes in shareholders' equity

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

Yen in thousands

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2006	1,101,360	1,032,360	612,472	(163,811)	2,582,381
Changes in the current period					
New stock issue	1,351	1,351			2,703
Dividend of surplus (Note)			(31,412)		(31,412)
Net loss			(47,125)		(47,125)
Acquisition of treasury stock				(167,093)	(167,093)
Changes (net) in items other than shareholders' equity					-
Total changes in the current period	1,351	1,351	(78,537)	(167,093)	(242,927)
Balance as of November 30, 2006	1,102,711	1,033,711	533,935	(330,904)	2,339,454

Yen in thousands

	Valuation and translation adjustments		Total net assets
	Unrealized holding gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of May 31, 2006	(2,441)	(2,441)	2,579,940
Changes in the current period			
New stock issue		-	2,703
Dividend of surplus (Note)		-	(31,412)
Net loss		-	(47,125)
Acquisition of treasury stock		-	(167,093)
Changes (net) in items other than shareholders' equity	2,993	2,993	2,993
Total changes in the current period	2,993	2,993	(239,933)
Balance as of November 30, 2006	551	551	2,340,006

Note: Appropriation of earnings resolved at the annual general meeting of shareholders in August 2006.

Yen in thousands

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2005	1,101,259	1,032,259	523,540	(163,811)	2,493,248
Changes in the current fiscal year					
New stock issue	101	101			202
Dividend of surplus (Note)			(7,538)		(7,538)
Net income			96,469		96,469
Changes (net) in items other than shareholders' equity					-
Total changes in the current fiscal year	101	101	88,931	-	89,133
Balance as of May 31, 2006	1,101,360	1,032,360	612,472	(163,811)	2,582,381

Yen in thousands

	Valuation and translation adjustments		Total net assets
	Unrealized holding gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of May 31, 2005	(1,465)	(1,465)	2,491,782
Changes in the current fiscal year			
New stock issue		-	202
Dividend of surplus (Note)		-	(7,538)
Net income		-	96,469
Changes (net) in items other than shareholders' equity	(976)	(976)	(976)
Total changes in the current fiscal year	(976)	(976)	88,157
Balance as of May 31, 2006	(2,441)	(2,441)	2,579,940

Note: Appropriation of earnings resolved at the annual general meeting of shareholders in August 2005.

(4) Consolidated Cash Flow Statement

Yen in thousands

Account	Period	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
		Amount	Amount	Amount
I Cash flows from operating activities				
1. Net income (loss) before income taxes		(49,490)	49,653	151,559
2. Depreciation and amortization		33,346	46,251	85,500
3. Increase (decrease) in allowance for doubtful accounts		(300)	15	(574)
4. Increase (decrease) in reserve for product warranty		(5,415)	4,723	(6,547)
5. Increase in reserve for retirement benefits		466	501	811
6. Interest and dividend income		(1,427)	(2,662)	(3,714)
7. Interest expenses and guarantee fees		12,544	12,831	25,887
8. Foreign exchange loss (income)		(7,034)	(6,931)	441
9. Loss on disposal of tangible fixed assets		22	451	1,341
10. Decrease (increase) in trade receivables		232,365	371,820	(282,742)
11. Decrease (increase) in inventories		97,205	(66,243)	(41,152)
12. Increase (decrease) in trade payables		(109,649)	(79,390)	16,022
13. Increase (decrease) in other assets and liabilities		35,693	(36,509)	65,329
Subtotal		238,324	294,511	12,161
14. Interests and dividends received		1,377	2,644	3,699
15. Interests and guarantee fees paid		(10,559)	(12,296)	(23,745)
16. Income taxes paid		157,070	(130,910)	161,984
Net cash provided by operating activities		386,213	153,949	154,101
II Cash flows from investing activities				
1. Payment for term deposits		(41,200)	(1,203)	(42,404)
2. Withdrawal of term deposits		33,621	3,600	33,621
3. Payment for acquisition of securities		-	(16)	-
4. Payment for acquisition of tangible fixed assets		(102,664)	(39,968)	(294,514)
5. Proceeds from sale of tangible fixed assets		-	155	-
6. Payment for acquisition of intangible assets		(3,120)	(5,408)	(11,846)
7. Payment for acquisition of investment securities		(30,000)	-	(39,272)
8. Proceeds from sale of investment securities		830	-	6,210
9. Payment for deposits		(13,201)	-	(18,487)
10. Payment for loans receivable		-	-	(34,881)
11. Proceeds from collection of loans		1,800	5,656	3,600
12. Decrease (increase) in other assets		(5,041)	(611)	(6,524)
Net cash used in investing activities		(158,976)	(37,796)	(404,498)
III Cash flows from financing activities				
1. Proceeds from long-term borrowings		200,000	-	400,000
2. Repayment of long-term borrowings		(141,666)	(215,006)	(305,042)
3. Payment for redemption of corporate bonds		(32,000)	(32,000)	(64,000)
4. Proceeds from new share issuance		-	1,971	191
5. Payment for acquisition of treasury stock		-	(167,093)	-
6. Cash dividends paid		(7,133)	(30,569)	(7,396)
Net cash provided by (used in) financing activities		19,220	(442,697)	23,752
IV Effect of exchange rate changes on cash and cash equivalents		7,034	5,752	761
V Increase (decrease) in cash and cash equivalents		253,491	(320,791)	(225,883)
VI Cash and cash equivalents at beginning of period		2,367,711	2,141,828	2,367,711
VII Cash and cash equivalents at end of period		2,621,203	1,821,036	2,141,828

Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements

Period Items	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
1. Scope of consolidation	(1) Number of consolidated subsidiary: 1 BIJ Corporation Effective from the current period, the aforementioned subsidiary, BIJ Corporation, is included in the consolidation due to its establishment.	(1) Number of consolidated subsidiary: 1 BIJ Corporation	(1) Number of consolidated subsidiary: 1 BIJ Corporation Effective from the current fiscal year, the aforementioned subsidiary, BIJ Corporation, is included in the consolidation due to its establishment.
2. Equity method of accounting	Not applicable.	Same as on the left.	Same as on the left.
3. Accounting period of consolidated subsidiary	The interim period of the consolidated subsidiary ends on the closing date of consolidated financial statements.	Same as on the left.	The fiscal year of the consolidated subsidiary ends on the closing date of consolidated financial statements.
4. Significant accounting policies	(1) Valuation criteria and methods for principal assets 1) Inventories Manufactured goods and work in process Manufactured goods and work in process are stated at cost, cost being determined by the specific-identification method. Raw materials Raw materials are stated at cost, cost being determined by the monthly-period-average method. 2) Securities Other securities Other securities with market quotations: Other securities with market quotations are stated at fair value on the balance sheet date for the current period. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined by the moving-average method.) Other securities without market quotations: Other securities without market quotations are stated at cost, cost being determined by the moving-average method. 3) Derivatives Market value method.	(1) Valuation criteria and methods for principal assets 1) Inventories Manufactured goods and work in process Same as on the left. Raw materials Same as on the left. 2) Securities Other securities Other securities with market quotations: Other securities with market quotations are stated at fair value on the balance sheet date for the current period. (Unrealized holding gain or loss is included directly in net assets. Cost of securities sold is determined by the moving-average method.) Other securities without market quotations: Same as on the left. 3) Derivatives Same as on the left.	(1) Valuation criteria and methods for principal assets 1) Inventories Manufactured goods and work in process Same as on the left. Raw materials Same as on the left. 2) Securities Other securities Other securities with market quotations: Other securities with market quotations are stated at fair value on the balance sheet date for the current fiscal year. (Unrealized holding gain or loss is included directly in net assets. Cost of securities sold is determined by the moving-average method.) Other securities without market quotations: Same as on the left. 3) Derivatives Same as on the left.

Period Items	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
	(2) Depreciation method of principle assets 1) Tangible fixed assets Depreciation of tangible fixed assets (except buildings (excluding fixtures)) is computed by the declining-balance method. Depreciation of buildings (excluding fixtures) is calculated by the straight-line method. Depreciation of small-sum items (100 thousand yen and more/less than 200 thousand yen) is calculated by the straight-line method, assuming useful life to be three years. 2) Intangible assets Amortization of intangible assets is calculated by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of five years by the straight-line method. (3) Recognition of principal reserves 1) Allowance for doubtful accounts To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility. 2) Reserve for product warranty To account for repair costs covered under product warranty, allowances equal to the estimated amount for the warranty period is provided.	(2) Depreciation method of principle assets 1) Tangible fixed assets Same as on the left. 2) Intangible assets Same as on the left. (3) Recognition of principal reserves 1) Allowance for doubtful accounts Same as on the left. 2) Reserve for product warranty Same as on the left.	(2) Depreciation method of principle assets 1) Tangible fixed assets Same as on the left. 2) Intangible assets Same as on the left. (3) Recognition of principal reserves 1) Allowance for doubtful accounts Same as on the left. 2) Reserve for product warranty Same as on the left.

Period Items	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
	3) Reserve for retirement benefits To provide for employee retirement benefits, an allowance is provided in the amount deemed to have accrued at the end of the interim period if all eligible employees retired on the balance sheet date, pursuant to the accounting standard for retirement allowances (Report No.13 “Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits”), which provides for the application of the simple method for calculating retirement benefits. (4) Translation of significant foreign currency- denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange rate in effect on the balance sheet date for the current period. Translation gain or loss is accounted as profit or loss. (5) Accounting for leases Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases. (6) Hedge accounting 1) Hedge accounting method Interest rate swaps that accounted by the short-cut method since they meet certain criteria. 2) Hedging instrument and risk hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings 3) Hedging policy To reduce exposure to risks from fluctuations in interest rates. Identification of the hedging instrument and risk hedged is carried out for each hedge transaction.	3) Reserve for retirement benefits Same as on the left. (4) Translation of significant foreign currency- denominated assets and liabilities Same as on the left. (5) Accounting for leases Same as on the left. (6) Hedge accounting 1) Hedge accounting method Same as on the left. 2) Hedging instrument and risk hedged Same as on the left. 3) Hedging policy Same as on the left.	3) Reserve for retirement benefits To provide for employee retirement benefits, an allowance is provided in the amount deemed to have accrued at the end of the fiscal year if all eligible employees retired on the balance sheet date, pursuant to the accounting standard for retirement allowances (Report No.13 “Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits”), which provides for the application of the simple method for calculating retirement benefits. (4) Translation of significant foreign currency- denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange rate in effect on the balance sheet date for the current fiscal year. Translation gain or loss is accounted as profit or loss. (5) Accounting for leases Same as on the left. (6) Hedge accounting 1) Hedge accounting method Same as on the left. 2) Hedging instrument and risk hedged Same as on the left. 3) Hedging policy Same as on the left.

Period Items	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
	4) Assessing the effectiveness of a hedge The Company does not assess the effectiveness of hedges since the terms of the hedging instrument and the risk hedged are identical and the effect of changes in interest rates at inception and throughout the life of the hedge are almost fully offset or limited. (7) Accounting for deferred assets Initial expenses Charged to income as incurred. (8) Other significant accounting policies Accounting of consumption taxes Consumption taxes are accounted using the net-of-tax method.	4) Assessing the effectiveness of a hedge Same as on the left. ————— (7) Other significant accounting policies Accounting of consumption taxes Same as on the left. Same as on the left.	4) Assessing the effectiveness of a hedge Same as on the left. (7) Accounting for deferred assets Initial expenses Charged to income as incurred. (8) Other significant accounting policies Accounting of consumption taxes Same as on the left. Same as on the left.
5. Scope of cash and cash equivalents in cash flow statement	Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.		

Reclassifications

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006
	(Consolidated balance sheets) “Buildings and structures,” presented as a component of “Other tangible fixed assets” in prior periods, are reclassified and presented as separate items effective from the current period since the amount exceeded 5/100th of total assets. “Buildings and structures” totaled 210,891 thousand yen as of the end of the prior period. “Current portion of corporate bonds,” presented as a component of “Other current liabilities” in prior periods, are reclassified and presented as separate items effective from the current period since the amount exceeded 5/100th of total liabilities and net assets. “Current portion of corporate bonds” totaled 64,000 thousand yen as of the end of the prior period.

Supplementary Information

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
(Accounting standard for impairment of fixed assets) Effective from the current period, the Company has adopted accounting standards for the presentation of the impairment of assets “Statement of Opinion, Accounting for Impairment of Fixed Assets,” (Business Accounting Council, August 9, 2002) and “Guidance for Accounting Standards for Impairment of Fixed Assets,” (ASBJ Guidance No.6, October 31, 2003). The effect of this change on financial statements is insignificant.		(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, the Company has adopted accounting standards for the presentation of the impairment of assets “Statement of Opinion, Accounting for Impairment of Fixed Assets,” (Business Accounting Council, August 9, 2002) and “Guidance for Accounting Standards for Impairment of Fixed Assets,” (ASBJ Guidance No.6, October 31, 2003). The effect of this change on financial statements is insignificant. (Accounting standard concerning presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No.8, December 9, 2005). Due to this revision, net assets in the consolidated balance sheet for the current fiscal year are presented based on the revised standard.

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

Yen in thousands

FY5/06 Interim As of Nov. 30, 2005	FY5/07 Interim As of Nov. 30, 2006	FY5/06 As of May 31, 2006
*1. Accumulated depreciation of tangible fixed assets 116,767	*1. Accumulated depreciation of tangible fixed assets 196,407	*1. Accumulated depreciation of tangible fixed assets 164,236
*2. Pledged assets and liabilities related to pledged assets Pledged assets Buildings 116,846 Land 100,982 Total 217,829	*2. Pledged assets and liabilities related to pledged assets Pledged assets Buildings 113,864 Land 100,982 Total 214,847	*2. Pledged assets and liabilities related to pledged assets Pledged assets Buildings 115,355 Land 100,982 Total 216,338
Liabilities related to pledged assets Short-term borrowings 130,008 Long-term borrowings 410,820 Total 540,828	Liabilities related to pledged assets Short-term borrowings 130,008 Long-term borrowings 280,812 Total 410,820	Liabilities related to pledged assets Short-term borrowings 130,008 Long-term borrowings 345,816 Total 475,824
However, the maximum coverage by the assets pledged as collateral through <i>Neteitou</i> comprehensive mortgage is 100,000 thousand yen.	However, the maximum coverage by the assets pledged as collateral through <i>Neteitou</i> comprehensive mortgage is 100,000 thousand yen.	However, the maximum coverage by the assets pledged as collateral through <i>Neteitou</i> comprehensive mortgage is 100,000 thousand yen.

Notes to Consolidated Income Statement

Yen in thousands

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
*1. Significant components of selling, general and administrative expenses Directors' remunerations 61,506 Salary expenses 57,444 Provisions for product warranty 5,746 R&D expenses 89,917	*1. Significant components of selling, general and administrative expenses Directors' remunerations 62,470 Salary expenses 75,836 Provision for doubtful accounts 170 Provisions for product warranty 13,593 R&D expenses 76,391	*1. Significant components of selling, general and administrative expenses Directors' remunerations 123,996 Salary expenses 118,777 Provisions for product warranty 9,995 R&D expenses 131,817
*2. _____	*2. Losses on disposal of fixed assets Tools, furniture and fixtures 451	*2. Losses on disposal of fixed assets Structures 1,126 Tools, furniture and fixtures 215

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of May 31, 2006 (Shares)	Increase during the current period (Shares)	Decrease during the current period (Shares)	Number of shares as of Nov. 30, 2006 (Shares)
Outstanding shares				
Common shares (Note 1)	63,824	17	-	63,841
Total	63,824	17	-	63,841
Treasury stock				
Common shares (Note 2)	1,000	1,000	-	2,000
Total	1,000	1,000	-	2,000

Notes: 1. The increase in the number of common shares outstanding (17 shares) is due to the issue of new shares resulting from the exercise of stock acquisition rights.

2. The increase in the number of common shares (1,000 shares) is due to the acquisition based on resolution of Board of Directors.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on August 24, 2006	Common shares	31,412	500	May 31, 2006	August 25, 2006

(2) Dividends with a record date in the current period but an effective date in the following period

No reportable information.

FY5/06 (Jun. 1, 2005 – May 31, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of May 31, 2005 (Shares)	Increase during the current fiscal year (Shares)	Decrease during the current fiscal year (Shares)	Number of shares as of May 31, 2006 (Shares)
Outstanding shares				
Common shares (Note 1)	63,820	4	-	63,824
Total	63,820	4	-	63,824
Treasury stock				
Common shares	1,000	-	-	1,000
Total	1,000	-	-	1,000

Note: 1. The increase in the number of common shares outstanding (4 shares) is due to the issue of new shares resulting from the exercise of stock acquisition rights.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on August 24, 2005	Common shares	7,538	120	May 31, 2005	August 25, 2005

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Thousand yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on August 24, 2006	Common shares	31,412	Retained earnings	500	May 31, 2006	August 25, 2006

Notes to Consolidated Cash Flow Statement

Yen in thousands

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of current period. (As of November 30, 2005)	Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of current period. (As of November 30, 2006)	Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of fiscal year. (As of May 31, 2006)
Cash and deposits in banks 2,675,026	Cash and deposits in banks 1,873,666	Cash and deposits in banks 2,196,854
Term deposits with maturities over 3 months (53,822)	Term deposits with maturities over 3 months (52,629)	Term deposits with maturities over 3 months (55,026)
Cash and cash equivalents <u>2,621,203</u>	Cash and cash equivalents <u>1,821,036</u>	Cash and cash equivalents <u>2,141,828</u>

Leases

Yen in thousands

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
Finance lease transactions not involving the transfer of title to lessee:	Finance lease transactions not involving the transfer of title to lessee:	Finance lease transactions not involving the transfer of title to lessee:
1. Acquisition cost, accumulated depreciation and period-end balance equivalents	1. Acquisition cost, accumulated depreciation and period-end balance equivalents	1. Acquisition cost, accumulated depreciation and year-end balance equivalents
<i>Tools, furniture & fixtures</i>	<i>Tools, furniture & fixtures</i>	<i>Tools, furniture & fixtures</i>
Acquisition cost equivalents: 7,843	Acquisition cost equivalents: 4,422	Acquisition cost equivalents: 7,843
Accumulated depreciation equivalents: 4,904	Accumulated depreciation equivalents: 2,653	Accumulated depreciation equivalents: 5,632
Period-end balance equivalents: 2,938	Period-end balance equivalents: 1,768	Year-end balance equivalents: 2,211
<i>Software</i>	<i>Software</i>	<i>Software</i>
Acquisition cost equivalents: 3,806	Acquisition cost equivalents: 3,806	Acquisition cost equivalents: 3,806
Accumulated depreciation equivalents: 2,220	Accumulated depreciation equivalents: 2,981	Accumulated depreciation equivalents: 2,601
Period-end balance equivalents: 1,586	Period-end balance equivalents: 824	Year-end balance equivalents: 1,205
<i>Total</i>	<i>Total</i>	<i>Total</i>
Acquisition cost equivalents: 11,650	Acquisition cost equivalents: 8,228	Acquisition cost equivalents: 11,650
Accumulated depreciation equivalents: 7,125	Accumulated depreciation equivalents: 5,635	Accumulated depreciation equivalents: 8,233
Period-end balance equivalents: 4,524	Period-end balance equivalents: 2,593	Year-end balance equivalents: 3,416
2. Minimum lease commitments and the period-end balance equivalents	2. Minimum lease commitments and the period-end balance equivalents	2. Minimum lease commitments and the year-end balance equivalents
Due within one year 1,998	Due within one year 1,790	Due within one year 1,742
Due over one year 2,805	Due over one year 1,015	Due over one year 1,922
Total 4,804	Total 2,805	Total 3,665
3. Lease payments, depreciation equivalents and interest equivalents	3. Lease payments, depreciation equivalents and interest equivalents	3. Lease payments, depreciation equivalents and interest equivalents
Lease payments 1,243	Lease payments 938	Lease payments 2,486
Depreciation equivalents 1,107	Depreciation equivalents 822	Depreciation equivalents 2,215
Interest payments 129	Interest payments 79	Interest payments 233
4. Calculation of accumulated depreciation equivalents	4. Calculation of accumulated depreciation equivalents	4. Calculation of accumulated depreciation equivalents
Depreciation is calculated by the straight-line method, assuming the lease period to be the useful life and no residual value.	Same as on the left.	Same as on the left.
5. Accounting method for interest equivalents	5. Accounting method for interest equivalents	5. Accounting method for interest equivalents
Interest is defined as the difference between the total lease charges and acquisition cost equivalents and is allocated for each period using the simple-interest method.	Same as on the left.	Same as on the left.

Securities

FY5/06 Interim (As of Nov. 30, 2005)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	23,360	25,947	2,586
Others	41,858	42,269	410
Total	65,218	68,216	2,997

Note: 1. The Company and its consolidated subsidiary wrote down for impairment loss on other securities whose market value is at least 30% below book value at the end of period in accordance with accounting standards for financial instruments.

2. Other securities without market quotations

Yen in thousands

Security	Carrying value
Other securities	
Medium-term government bond funds	19,965
Unlisted stock	30,000

FY5/07 Interim (As of Nov. 30, 2006)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	36,940	38,215	1,274
Others	31,760	31,407	(353)
Total	68,701	69,622	920

Note: 1. The Company its consolidated subsidiary wrote down for impairment loss on other securities whose market value is at least 30% below book value at the end of period in accordance with accounting standards for financial instruments.

2. Other securities without market quotations

Yen in thousands

Security	Carrying value
Other securities	
Medium-term government bond funds	19,984
Unlisted stock	30,000

FY5/06 (As of May 31, 2006)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	27,630	26,042	(1,587)
Others	41,478	38,949	(2,529)
Total	69,108	64,992	(4,116)

Note: 1. The Company its consolidated subsidiary wrote down for impairment loss on other securities whose market value is at least 30% below book value at the end of period in accordance with accounting standards for financial instruments.

2. Other securities without market quotations

Yen in thousands

Security	Carrying value
Other securities	
Medium-term government bond funds	19,967
Unlisted stock	30,000

Derivatives

FY5/06 Interim (As of Nov. 30, 2005)

No reportable information since derivative transactions are accounted by the hedge accounting method.

FY5/07 Interim (As of Nov. 30, 2006)

No reportable information since derivative transactions are accounted by the hedge accounting method.

FY5/06 (As of May 31, 2006)

No reportable information since derivative transactions are accounted by the hedge accounting method.

Stock Options

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

No reportable information.

Segment Information

(1) Operating segment information

FY5/06 Interim (Jun. 1, 2005 – Nov. 30, 2005)

Yen in thousands

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	830,668	16,250	846,918	-	846,918
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	830,668	16,250	846,918	-	846,918
Operating expenses	607,982	89,066	697,048	213,174	910,223
Operating income (loss)	222,685	(72,816)	149,869	[213,174]	(63,305)

Notes: 1. Reclassification of operating segments:

Operating segments are based on products and market similarities.

2. Summary of operating segments:

Operating segments	Major products
Electronics testing equipment	Illuminators, IP modules, camera module testing systems
Security systems	Applied optics sensor products

3. Operating expenses included in "Elimination or corporate":

Yen in thousands

	FY5/06 Interim	Description
Operating expenses included in "Elimination or corporate"	213,174	Expenses related to the administration division at INTER ACTION Corporation.

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

Yen in thousands

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	1,051,484	2,859	1,054,343	-	1,054,343
(2) Inter-segment sales and transfers	3,348	-	3,348	[3,348]	-
Total	1,054,832	2,859	1,057,691	[3,348]	1,054,343
Operating expenses	681,751	67,967	749,718	256,792	1,006,511
Operating income (loss)	373,080	(65,108)	307,972	[260,140]	47,832

Notes: 1. Reclassification of operating segments:

Operating segments are based on products and market similarities.

2. Summary of operating segments:

Operating segments	Major products
Electronics testing equipment	Illuminators, IP modules, camera module testing systems
Security systems	Applied optics sensor products

3. Operating expenses included in “Elimination or corporate”:

Yen in thousands

	FY5/07 Interim	Description
Operating expenses included in “Elimination or corporate”	256,792	Expenses related to the administration division at INTER ACTION Corporation.

FY5/06 (Jun. 1, 2005 – May 31, 2006)

Yen in thousands

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	2,059,785	30,630	2,090,415	-	2,090,415
(2) Inter-segment sales and transfers	1,452	50	1,502	[1,502]	-
Total	2,061,237	30,680	2,091,917	[1,502]	2,090,415
Operating expenses	1,337,559	153,173	1,490,732	444,177	1,934,909
Operating income (loss)	723,678	(122,493)	601,185	[445,679]	155,506

Notes: 1. Reclassification of operating segments:

Operating segments are based on products and market similarities.

2. Summary of operating segments:

Operating segments	Major products
Electronics testing equipment	Illuminators, IP modules, camera module testing systems
Security systems	Applied optics sensor products

3. Operating expenses included in “Elimination or corporate”:

Yen in thousands

	FY5/06	Description
Operating expenses included in “Elimination or corporate”	444,177	Expenses related to the administration division at INTER ACTION Corporation.

(2) Geographical segment information

FY5/06 Interim (Jun. 1, 2005 – Nov. 30, 2005)

No reportable information since the Company had no consolidated subsidiary or significant branch offices in countries and regions other than Japan in the current period.

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

No reportable information since the Company had no consolidated subsidiary or significant branch offices in countries and regions other than Japan in the current period.

FY5/06 (Jun. 1, 2005 – May 31, 2006)

No reportable information since the Company had no consolidated subsidiary or significant branch offices in countries and regions other than Japan in the current fiscal year.

(3) Overseas sales

FY5/06 Interim (Jun. 1, 2005 – Nov. 30, 2005)

Yen in thousands

	Asia	North America	Total
I Overseas sales	72,953	11,062	84,015
II Consolidated sales	-	-	846,918
III Share of overseas sales in total consolidated sales	8.6%	1.3%	9.9%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

(1) Asia: China, Taiwan, Korea, Malaysia

(2) North America: U.S.A

3. Overseas sales comprise sales of the Company and its consolidated subsidiary in countries and regions other than Japan.

FY5/07 Interim (Jun. 1, 2006 – Nov. 30, 2006)

Yen in thousands

	Asia	North America	Europe	Total
I Overseas sales	138,131	66,876	13,782	218,789
II Consolidated sales	-	-	-	1,054,343
III Share of overseas sales in total consolidated sales	13.1%	6.4%	1.3%	20.8%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

(1) Asia: Hong Kong, Taiwan, Korea

(2) North America: U.S.A

(3) Europe: France

3. Overseas sales comprise sales of the Company and its consolidated subsidiary in countries and regions other than Japan.

FY5/06 (Jun. 1, 2005 – May 31, 2006)

Yen in thousands

	Asia	North America	Total
I Overseas sales	202,800	14,029	216,830
II Consolidated sales	-	-	2,090,415
III Share of overseas sales in total consolidated sales	9.7%	0.7%	10.4%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

(1) Asia: Hong Kong, Taiwan, Korea, Malaysia

(2) North America: U.S.A

3. Overseas sales comprise sales of the Company and its consolidated subsidiary in countries and regions other than Japan.

Per Share Data
Yen

Item \ Period	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
Net assets per share:	39,106.28	37,839.08	41,066.15
Net income (loss) per share (basic):	(490.84)	(752.44)	1,535.65
Net income per share (diluted):	Net income per share (diluted) is not presented since the Company has outstanding dilutive securities, though posted a net loss.	Same as on the left.	1,534.55

Note: The following is a reconciliation of net income (loss) per share (basic) and net income per share (diluted):

Yen in thousands

Item \ Period	FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006
Net income (loss)	(30,834)	(47,125)	96,469
Amount not available to common shareholders [of which directors' bonuses paid through appropriation of income]	-	-	-
Net income (loss) applicable to common stock	(30,834)	(47,125)	96,469
Average number of common stock outstanding during period	62,820 shares	62,630 shares	62,820 shares
Increase in the number of common stock outstanding [of which stock acquisition rights]	- shares [-]	- shares [-]	45 shares [45]
Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect.	Number of new stock acquisition rights: No.2: 134 shares Number of new stock acquisition rights: No.3: 470 shares	Number of new stock acquisition rights: No.2: 232 shares Number of new stock acquisition rights: No.4: 470 shares	Number of new stock acquisition rights: No.2: 232 shares Number of new stock acquisition rights: No.4: 493 shares

Subsequent Events

FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005	FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006	FY5/06 Jun. 1, 2005 – May 31, 2006																																
	Procuring funding In accordance with a resolution approved on November 27, 2006 by the Board of Directors, the Company has procured funding as follows in order to refinance corporate bonds maturing in February and March 2007 and to prepare for future business expansion. (1) No. 4 unsecured corporate bond (Guaranteed by the Bank of Tokyo-Mitsubishi UFJ. Bonds are placed with qualified institutional investors only.) <table><tr><td>1. Issue price:</td><td>100 yen for each 100 yen in face value</td></tr><tr><td>2. Total issue amount:</td><td>300 million yen</td></tr><tr><td>3. Interest rate:</td><td>1.24% per year</td></tr><tr><td>4. Issue date:</td><td>Dec. 29, 2006</td></tr><tr><td>5. Redemption date and method:</td><td>Dec. 29, 2009 (Lump-sum payment with interests)</td></tr></table> (2) No. 5 unsecured corporate bond (Guaranteed by the Bank of Yokohama. Bonds are placed with qualified institutional investors only.) <table><tr><td>1. Issue price:</td><td>100 yen for each 100 yen in face value</td></tr><tr><td>2. Total issue amount:</td><td>300 million yen</td></tr><tr><td>3. Interest rate:</td><td>1.35% per year</td></tr><tr><td>4. Issue date:</td><td>Dec. 29, 2006</td></tr><tr><td>5. Redemption period and method:</td><td>5 years from date of issue (equal semiannual payments)</td></tr></table> (3) Borrowings <table><tr><td>1. Bank:</td><td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td></tr><tr><td>2. Amount borrowed:</td><td>200 million yen</td></tr><tr><td>3. Interest rate</td><td>2.17% per year</td></tr><tr><td>4. Borrowing date</td><td>Dec. 14, 2006</td></tr><tr><td>5. Assets pledged</td><td>None</td></tr><tr><td>6. Repayment period and method</td><td>5 years from date of issue (equal quarterly payments)</td></tr></table>	1. Issue price:	100 yen for each 100 yen in face value	2. Total issue amount:	300 million yen	3. Interest rate:	1.24% per year	4. Issue date:	Dec. 29, 2006	5. Redemption date and method:	Dec. 29, 2009 (Lump-sum payment with interests)	1. Issue price:	100 yen for each 100 yen in face value	2. Total issue amount:	300 million yen	3. Interest rate:	1.35% per year	4. Issue date:	Dec. 29, 2006	5. Redemption period and method:	5 years from date of issue (equal semiannual payments)	1. Bank:	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2. Amount borrowed:	200 million yen	3. Interest rate	2.17% per year	4. Borrowing date	Dec. 14, 2006	5. Assets pledged	None	6. Repayment period and method	5 years from date of issue (equal quarterly payments)	Increase in equity of subsidiary In accordance with a resolution approved on June 26, 2006 by the INTER ACTION Board of Directors, subsidiary BIJ Corporation procured 80 million yen through the sale of newly issued stock on July 14. All shares were purchased by INTER ACTION. The purpose was to increase this subsidiary’s equity and create a sounder financial position.
1. Issue price:	100 yen for each 100 yen in face value																																	
2. Total issue amount:	300 million yen																																	
3. Interest rate:	1.24% per year																																	
4. Issue date:	Dec. 29, 2006																																	
5. Redemption date and method:	Dec. 29, 2009 (Lump-sum payment with interests)																																	
1. Issue price:	100 yen for each 100 yen in face value																																	
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5. Redemption period and method:	5 years from date of issue (equal semiannual payments)																																	
1. Bank:	The Bank of Tokyo-Mitsubishi UFJ, Ltd.																																	
2. Amount borrowed:	200 million yen																																	
3. Interest rate	2.17% per year																																	
4. Borrowing date	Dec. 14, 2006																																	
5. Assets pledged	None																																	
6. Repayment period and method	5 years from date of issue (equal quarterly payments)																																	

5. Production, Order and Sales

(1) Production

Yen in thousands

Segment		FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005		FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006		FY5/06 Jun. 1, 2005 – May 31, 2006	
		Amount	%	Amount	%	Amount	%
Electronics testing equipment	Illuminator	548,872	62.9	733,166	70.8	1,300,824	62.4
	IP module	53,131	6.1	49,106	4.7	258,924	12.4
	Others	251,904	28.8	250,991	24.2	419,420	20.2
	Subtotal	853,908	97.8	1,033,264	99.7	1,979,169	95.0
Security systems		19,030	2.2	2,709	0.3	104,555	5.0
Total		872,938	100.0	1,035,973	100.0	2,083,724	100.0

- Notes: 1. The figures above are based on sales figures.
2. The amounts do not include consumption tax.
3. Production amounts include production outsourced.

(2) Received orders

Yen in thousands

Segment		FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005		FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006		FY5/06 Jun. 1, 2005 – May 31, 2006	
		Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog
Electronics testing equipment	Illuminator	416,978	380,560	426,934	215,625	1,129,700	531,806
	IP module	60,921	62,521	36,466	25,500	137,828	57,400
	Others	204,119	217,758	356,845	188,191	199,193	75,766
	Subtotal	682,018	660,840	820,245	429,316	1,466,722	664,972
Security systems		28,000	28,000	71,887	69,158	28,000	-
Total		710,018	688,840	892,133	498,475	1,494,722	664,972

Note: 1. The amounts do not include consumption tax.

(3) Sales performance

Yen in thousands

Segment		FY5/06 Interim Jun. 1, 2005 – Nov. 30, 2005		FY5/07 Interim Jun. 1, 2006 – Nov. 30, 2006		FY5/06 Jun. 1, 2005 – May 31, 2006	
		Amount	%	Amount	%	Amount	%
Electronics testing equipment	Illuminator	526,613	62.2	733,166	69.5	1,377,161	65.9
	IP module	52,150	6.2	67,326	6.4	263,204	12.6
	Others	251,904	29.7	250,991	23.8	419,420	20.0
	Subtotal	830,668	98.1	1,051,484	99.7	2,059,785	98.5
Security systems		16,250	1.9	2,859	0.3	30,630	1.5
Total		846,918	100.0	1,054,343	100.0	2,090,415	100.0

- Notes: 1. The amounts do not include consumption tax.
2. The following table indicates sales amounts to major customers and their ratios to total sales amount for the most recent interim periods. The amounts do not include consumption tax.

Yen in thousands

Destination	FY5/06 Interim		FY5/07 Interim	
	Amount	%	Amount	%
Sony Semiconductor Kyushu Co., Ltd.	128,982	15.2	182,654	17.3
Sharp Finance Corporation	-	-	143,363	13.6
Matsushita Electric Industrial Co., Ltd.	297,369	35.1	98,366	9.3
Samsung Japan Corporation	126,412	14.9	85,000	8.1