

Consolidated Financial Summaries for the Nine Months of the Fiscal Year Ending May 31, 2007 (June 1, 2006 – February 28, 2007)

Company name: **INTER ACTION Corporation** (Stock code: 7725 TSE Mothers Market)
 (URL <http://www.inter-action.co.jp/Eng>)
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1. Significant Accounting Policies in the Preparation of Quarterly Consolidated Financial Statements

- (1) Accounting standards for the preparation of quarterly consolidated financial statements:
 The standards for Consolidated Interim Financial Statements
- (2) Changes in accounting principles from the most recent consolidated fiscal year: None
- (3) Changes in the scope of consolidation and application of the equity method: None
 Consolidation (Newly added) 0 (Excluded) 0 Equity-method (Newly added) 0 (Excluded) 0
- (4) Auditing process by independent accountants: Yes
 The quarterly consolidated financial statements have been through auditing process in accordance with the supplementary provisions “Standards of Auditors’ Opinion for the Quarterly Financial Statements” of the “Instructions for the Application of the Regulations for Timely Disclosure of Corporate Information by Issuers of Listed Securities” as set by the Tokyo Stock Exchange.

2. Financial Results for the Nine Months Ended February 28, 2007 (June 1, 2006 – February 28, 2007)

(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 %
Nine months ended Feb. 2007	1,327	22.0	(64)	-	(76)	-
Nine months ended Feb. 2006	1,087	-	(134)	-	(137)	-
(Reference) 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
Nine months ended Feb. 2007	(119)	-	(1,924.08)	-
Nine months ended Feb. 2006	(82)	-	(1,308.23)	-
(Reference) Year ended May 2006	96		1,535.65	1,534.55

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

[Qualitative information regarding consolidated operational results]

Since the beginning of the current fiscal year, 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 capital 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. Furthermore, sales tend to slow down in the third quarter (December – February) due mainly to seasonal factors. As a result of the above and other factors, third-quarter (December 2006 – February 2007) sales in the electronics testing equipment business were 203 million yen.

On the other hand, after overhauling its product line-up and actively pursuing orders, the Group has received orders for several major development projects in the security systems business. The development work and sales related to these projects are on target. 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 at BIJ Corporation and the Company posted an interim net loss resulting from the deferred income tax of 52 million yen.

The Company reported sales of 1,327 million yen, ordinary loss of 76 million yen and net loss of 119 million yen. Compared with the previous nine-month period, these were increase of 239 million yen and 61 million yen, but decrease of 37 million yen, respectively.

Sales by product category were as follows.

In the electronics testing equipment business, illuminator sales were 849 million yen (139.7% of the same period in the previous fiscal year), which was 64.0% of total sales, as the Company sold 69 units for the current nine-month period.

IP module sales were 88 million yen (98.7%), which was 6.7% of total sales, as the Company sold 17 units.

Sales of supplied parts, units and maintenance services were 316 million yen (92.2%), which was 23.8% of total sales.

In security systems business, sales was 72 million yen (157.0%), which was 5.5% of total sales.

(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 February 28, 2007	4,486	2,163	48.2	35,562.09
As of February 28, 2006	4,596	2,404	52.3	38,271.42
(Reference) As of May 31, 2006	4,916	2,579	52.5	41,066.15

(3) Consolidated Cash Flow Position

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

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Nine months ended Feb. 2007	215	(51)	(1)	2,314
Nine months ended Feb. 2006	337	(336)	138	2,511
(Reference) Year ended May 2006	154	(404)	23	2,141

[Qualitative information regarding consolidated financial position]

Cash and cash equivalents at the end of the nine-month period totaled 2,314 million yen, an increase of 172 million yen over the end of the previous fiscal year.

Operating activities

Net cash provided by operating activities was 215 million yen (63.7% of the same period in the previous fiscal year). The primary sources of cash were a decrease in trade receivables of 638 million yen reflecting progress in the collection of trade receivables. Income tax payments of 204 million yen and payments for trade payables of 121 million yen represented the principal use of cash in operating activities.

Investing activities

Net cash used in investing activities was 51 million yen (15.2%). The primary use of cash was the payment for acquisition of investment securities.

Financing activities

Net cash used in financing activities was 1 million yen (compared with net cash provided of 138 million yen one year earlier). The principal use of cash were proceeds of 588 million yen from corporate bond issue, repayment of 307 million yen for long-term borrowings and payment of 271 million yen for acquisition of treasury stock.

3. 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: (493.09) yen

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.

[Qualitative information regarding consolidated forecast]

Although the operating environment of the electronics testing equipment business remains severe as semiconductor manufacturers slash capital expenditure, the recent steady decline in orders has been reversed and orders are gradually recovering from the beginning of 2007. The Company is committed to working harder to reduce manufacturing costs by introducing more efficient manufacturing infrastructure at its Kumamoto site and shorting lead times while at the same time stepping up marketing to win more orders for illuminators. However, the forecast of sales resulting from the above marketing initiatives could be affected by delivery schedules specified by clients and the actual delivery timing of testers.

On the other hand, aggressive marketing is bringing in more orders in the security systems business and this business is now in a position to start contributing to sales.

Due to the above items, 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 31, 2007.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Period Account		FY5/06 1st – 3rd Qtr. As of Feb. 28, 2006		FY5/07 1st – 3rd Qtr. As of Feb. 28, 2007		FY5/06 As of May 31, 2006	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits in banks		2,566,379		2,367,713		2,196,854	
2. Trade notes and accounts receivable		393,460		377,215		1,015,140	
3. Securities		19,966		19,996		19,967	
4. Inventories		558,127		632,961		564,971	
5. Other current assets		98,423		135,809		127,697	
6. Allowance for doubtful accounts		(502)		(219)		(242)	
Total current assets		3,635,855	79.1	3,533,476	78.8	3,924,389	79.8
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures * 1, 2		409,384		393,135		404,494	
(2) Other tangible fixed assets * 1, 2		326,341		308,698		332,608	
Total tangible fixed assets		735,725		701,833		737,103	
2. Intangible assets		16,719		24,649		22,081	
3. Investments and other assets		208,148		226,751		232,578	
Total fixed assets		960,593	20.9	953,235	21.2	991,763	20.2
Total assets		4,596,449	100.0	4,486,711	100.0	4,916,152	100.0

Yen in thousands

<div>Period</div> <div>Account</div>		FY5/06 1st – 3rd Qtr. As of Feb. 28, 2006		FY5/07 1st – 3rd Qtr. As of Feb. 28, 2007		FY5/06 As of May 31, 2006	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable		92,883		49,138		170,669	
2. Short-term borrowings	* 2	380,012		370,012		380,012	
3. Current portion of corporate bonds		-		400,000		522,000	
4. Reserve for bonuses		13,258		17,003		-	
5. Reserve for product warranty		7,287		14,234		7,567	
6. Other current liabilities		314,331		67,607		293,791	
Total current liabilities		807,773	17.6	917,996	20.5	1,374,039	27.9
II Long-term liabilities							
1. Corporate bonds		340,000		540,000		-	
2. Long-term borrowings	* 2	1,039,975		859,963		957,472	
3. Reserve for retirement benefits		4,490		5,119		4,701	
Total long-term liabilities		1,384,465	30.1	1,405,082	31.3	962,173	19.6
Total liabilities		2,192,238	47.7	2,323,078	51.8	2,336,212	47.5
Shareholders' equity							
I Common stock		1,101,259	24.0	-	-	-	-
II Capital surplus		1,032,259	22.5	-	-	-	-
III Retained earnings		433,819	9.4	-	-	-	-
IV Unrealized holding gain (loss) on other securities		683	0.0	-	-	-	-
V Treasury stock		(163,811)	(3.6)	-	-	-	-
Total shareholders' equity		2,404,210	52.3	-	-	-	-
Total liabilities and shareholders' equity		4,596,449	100.0	-	-	-	-
Net assets							
I Shareholders' equity							
1. Common stock		-	-	1,102,711	24.6	1,101,360	22.4
2. Capital surplus		-	-	1,033,711	23.0	1,032,360	21.0
3. Retained earnings		-	-	461,272	10.3	612,472	12.4
4. Treasury stock		-	-	(435,250)	(9.7)	(163,811)	(3.3)
Total shareholders' equity		-	-	2,162,446	48.2	2,582,381	52.5
II Valuation and translation adjustments							
1. Unrealized holding gain (loss) on other securities		-	-	1,186	0.0	(2,441)	(0.0)
Total valuation and translation adjustments		-	-	1,186	0.0	(2,441)	(0.0)
Total net assets		-	-	2,163,632	48.2	2,579,940	52.5
Total liabilities and net assets		-	-	4,486,711	100.0	4,916,152	100.0

(2) Consolidated Income Statement
Yen in thousands

Period Account		FY5/06 1st – 3rd Qtr.			FY5/07 1st – 3rd Qtr.			FY5/06		
		June 1, 2005 – Feb. 28, 2006			June 1, 2006 – Feb. 28, 2007			June 1, 2005 – May 31, 2006		
		Amount		%	Amount		%	Amount		%
I Sales		1,087,926	100.0		1,327,593	100.0		2,090,415	100.0	
II Cost of sales		621,518	57.1		663,982	50.0		1,114,622	53.3	
Gross profit		466,407	42.9		663,610	50.0		975,792	46.7	
III Selling, general and administrative expenses	*1	601,286	55.3		728,029	54.9		820,286	39.3	
Operating income (loss)		(134,878)	(12.4)		(64,419)	(4.9)		155,506	7.4	
IV Non-operating income										
1. Interest income		2,473			4,835			3,714		
2. Dividend income		0			0			0		
3. Foreign exchange gain		11,563			18,717			3,672		
4. Rent for rental assets		-			10,525			-		
5. Additional tax refund		4,033			-			4,033		
6. Other non-operating income		1,408	19,479	1.8	2,849	36,928	2.8	5,559	16,979	
V Non-operating expenses										
1. Interest expenses		16,683			18,407			23,002		
2. Bond issue expenses		-			11,449			-		
3. Charges for rental assets		-			6,876			-		
4. Amortization of initial expenses		3,067			-			3,067		
5. Other non-operating expenses		2,798	22,549	2.1	12,123	48,857	3.7	4,595	30,665	
Ordinary income (loss)			(137,948)	(12.7)		(76,348)	(5.8)		141,820	
VI Extraordinary income										
1. Reversal of product warranty		8,810			5,005			10,504		
2. Other extraordinary income		315	9,125	0.8	22	5,028	0.4	574	11,079	
VII Extraordinary loss										
1. Losses on disposal of fixed assets	*2	1,204	1,204	0.1	451	451	0.0	1,341	1,341	
Net income (loss) before income taxes			(130,027)	(12.0)		(71,772)	(5.4)		151,559	
Income taxes - current		2,649			20,092			133,801		
Income taxes - deferred		(50,493)	(47,844)	(4.4)	27,922	48,015	3.6	(78,711)	55,089	
Net income (loss)			(82,183)	(7.6)		(119,787)	(9.0)		96,469	

(3) Consolidated Statement of Surplus and Statement of Changes in Shareholders' Equity**Consolidated statement of surplus***Yen in thousands*

<div> <div>Period</div> <div>Account</div> </div>	FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	
	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	82,183	
2. Cash dividends paid	7,538	89,721
III Balance at end of period		433,819

Consolidated statement of changes in shareholders' equity

FY5/07 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

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 income			(119,787)		(119,787)
Acquisition of treasury stock				(271,439)	(271,439)
Changes (net) in items other than shareholders' equity					-
Total changes in the current period	1,351	1,351	(151,199)	(271,439)	(419,935)
Balance as of February 28, 2007	1,102,711	1,033,711	461,272	(435,250)	2,162,446

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 income		-	(119,787)
Acquisition of treasury stock			(271,439)
Changes (net) in items other than shareholders' equity	3,628	3,628	3,628
Total changes in the current period	3,628	3,628	(416,307)
Balance as of Feb. 28, 2006	1,186	1,186	2,163,632

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

	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

	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 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
		Amount	Amount	Amount
I Cash flows from operating activities				
1. Net income (loss) before income taxes		(130,027)	(71,772)	151,559
2. Depreciation and amortization		57,228	70,481	85,500
3. Decrease in allowance for doubtful accounts		(315)	(22)	(574)
4. Increase (decrease) in reserve for product warranty		(6,826)	6,667	(6,547)
5. Increase in reserve for retirement benefits		600	418	811
6. Interest and dividend income		(2,474)	(4,835)	(3,714)
7. Interest expenses and guarantee fees		18,830	20,628	25,887
8. Stock issue expenses		-	1,019	10
9. Bond issue expenses		-	11,449	-
10. Foreign exchange loss (income)		(5,338)	(11,964)	441
11. Loss on disposal of tangible fixed assets		1,204	451	1,341
12. Decrease (increase) in trade receivables		335,839	638,119	(282,742)
13. Increase in inventories		(30,314)	(76,249)	(41,152)
14. Increase (decrease) in trade payables		(61,763)	(121,531)	16,022
15. Increase/decrease in other assets and liabilities		18,545	(29,159)	65,318
Subtotal		195,188	433,700	12,161
16. Interests and dividends received		2,135	4,486	3,699
17. Interests and guarantee fees paid		(16,568)	(18,648)	(23,745)
18. Income taxes paid		156,993	(204,419)	161,984
Net cash provided by operating activities		337,749	215,118	154,101
II Cash flows from investing activities				
1. Payment for term deposits		(41,804)	(1,837)	(42,404)
2. Withdrawal of term deposits		33,621	3,600	33,621
3. Payment for acquisition of tangible fixed assets		(268,773)	(26,033)	(294,514)
4. Proceeds from sale of tangible fixed assets		-	187	-
5. Payment for acquisition of intangible assets		(10,125)	(5,480)	(11,846)
6. Payment for acquisition of investment securities		(39,270)	(59,555)	(39,272)
7. Proceeds from sale of investment securities		996	30,407	6,210
8. Payment for deposits		(13,201)	-	(18,487)
9. Proceeds from deposits		-	9,372	-
10. Payment for loans receivable		-	-	(34,881)
11. Proceeds from collection of loans		2,700	38,901	3,600
12. Increase/decrease in other assets		(1,127)	(40,800)	(6,524)
Net cash used in investing activities		(336,983)	(51,237)	(404,498)
III Cash flows from financing activities				
1. Proceeds from long-term borrowings		400,000	200,000	400,000
2. Repayment of long-term borrowings		(222,539)	(307,509)	(305,042)
3. Proceeds from corporate bond issue		-	588,550	-
4. Payment for redemption of corporate bonds		(32,000)	(182,000)	(64,000)
5. Proceeds from new share issuance		-	1,683	191
6. Payment for acquisition of treasury stock		-	(271,439)	-
7. Cash dividends paid		(7,324)	(30,996)	(7,396)
Net cash provided by (used in) financing activities		138,136	(1,710)	23,752
IV Effect of exchange rate changes on cash and cash equivalents		5,338	10,450	761
V Increase (decrease) in cash and cash equivalents		144,241	172,621	(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		2,511,953	2,314,449	2,141,828

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Period Items	FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 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	No reportable information.	Same as on the left.	Same as on the left.
3. Accounting period of consolidated subsidiary	The 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	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Inventories Manufactured goods and work in process Manufactured goods and work in process are primarily stated at cost, cost being determined by the specific-identification method.</p> <p>Raw materials Raw materials are stated at cost, cost being determined by the monthly-period-average method.</p> <p>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 (loss) is included directly in shareholders' equity. Cost of securities sold is determined by the moving-average method.)</p> <p>Other securities without market quotations: Other securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>3) Derivatives Market value method.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Inventories Manufactured goods and work in process Same as on the left.</p> <p>Raw materials Same as on the left.</p> <p>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 (loss) is included directly in net assets. Cost of securities sold is determined by the moving-average method.)</p> <p>Other securities without market quotations: Same as on the left.</p> <p>3) Derivatives Same as on the left.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Inventories Manufactured goods and work in process Same as on the left.</p> <p>Raw materials Same as on the left.</p> <p>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 (loss) is included directly in net assets. Cost of securities sold is determined by the moving-average method.)</p> <p>Other securities without market quotations: Same as on the left.</p> <p>3) Derivatives Same as on the left.</p>

Period Items	FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
	<p>(2) Depreciation method of principle assets</p> <p>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.</p> <p>2) Intangible assets Amortization of intangible assets, except software for internal use, 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.</p> <p>(3) Recognition of principal reserves</p> <p>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.</p> <p>2) Reserve for bonuses To provide for employees' bonus obligations, an amount accrued for the current period is designated in the reserve account.</p> <p>3) 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.</p>	<p>(2) Depreciation method of principle assets</p> <p>1) Tangible fixed assets Same as on the left.</p> <p>2) Intangible assets Same as on the left.</p> <p>(3) Recognition of principal reserves</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>2) Reserve for bonuses Same as on the left.</p> <p>3) Reserve for product warranty Same as on the left.</p>	<p>(2) Depreciation method of principle assets</p> <p>1) Tangible fixed assets Same as on the left.</p> <p>2) Intangible assets Same as on the left.</p> <p>(3) Recognition of principal reserves</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>_____</p> <p>2) Reserve for product warranty Same as on the left.</p>

Period Items	FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
	<p>4) 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 current 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.</p> <p>(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.</p> <p>(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.</p> <p>(6) Hedge accounting 1) Hedge accounting method Interest rate swaps that accounted by the short-cut method since they meet certain criteria.</p> <p>2) Hedging instrument and risk hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings</p> <p>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.</p>	<p>4) Reserve for retirement benefits Same as on the left.</p> <p>(4) Translation of significant foreign currency- denominated assets and liabilities Same as on the left.</p> <p>(5) Accounting for leases Same as on the left.</p> <p>(6) Hedge accounting 1) Hedge accounting method Same as on the left.</p> <p>2) Hedging instrument and risk hedged Same as on the left.</p> <p>3) Hedging policy Same as on the left.</p>	<p>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.</p> <p>(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.</p> <p>(5) Accounting for leases Same as on the left.</p> <p>(6) Hedge accounting 1) Hedge accounting method Same as on the left.</p> <p>2) Hedging instrument and risk hedged Same as on the left.</p> <p>3) Hedging policy Same as on the left.</p>

Period Items	FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
5. Scope of cash and cash equivalents in cash flow statement	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.	4) Assessing the effectiveness of a hedge Same as on the left.	4) Assessing the effectiveness of a hedge Same as on the left.
	(7) Accounting for deferred assets 1) Initial expenses Charged to income as incurred.	(7) Accounting for deferred assets 1) _____	(7) Accounting for deferred assets 1) Initial expenses Charged to income as incurred.
	2) _____	2) Bond issue expenses Charged to income as incurred.	2) _____
	(8) Other significant accounting policies Accounting of consumption taxes Consumption taxes are accounted using the net-of-tax method.	(8) Other significant accounting policies Accounting of consumption taxes Same as on the left.	(8) Other significant accounting policies Accounting of consumption taxes Same as on the left.
	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.	Same as on the left.	Same as on the left.

Reclassifications

FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007
_____	(Consolidated balance sheets) “Current portion of corporate bonds,” presented as a component of “Other current liabilities” in prior periods, are reclassified and presented as separate item effective from the current period since the amount exceeded 5/100th of total liabilities and net assets. “Current portion of corporate bonds” totaled 214,000 thousand yen as of the end of the prior period.

Supplementary Information

FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
<p>(Accounting standard for impairment of fixed assets)</p> <p>Effective from the current period, the Company has adopted “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.</p>	<p>_____</p>	<p>(Accounting standard for impairment of fixed assets)</p> <p>Effective from the current fiscal year, the Company has adopted “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.</p> <p>(Accounting standard concerning presentation of net assets on balance sheet)</p> <p>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 Guidance No. 8, December 9, 2005).</p> <p>Due to the revision of the regulations of consolidated financial statements, net assets in the consolidated balance sheet for the current fiscal year are presented based on the revised standard.</p>

Notes to Consolidated Balance Sheets

FY5/06 1st – 3rd Qtr. As of Feb. 28, 2006		FY5/07 1st – 3rd Qtr. As of Feb. 28, 2007		FY5/06 As of May 31, 2006	
*1. Accumulated depreciation of tangible fixed assets	138,828	*1. Accumulated depreciation of tangible fixed assets	216,564	*1. Accumulated depreciation of tangible fixed assets	164,236
*2. Pledged assets and liabilities related to pledged assets		*2.		*2. Pledged assets and liabilities related to pledged assets	
Pledged assets				Pledged assets	
Bldings	116,100			Bldings	115,355
Land	<u>100,982</u>			Land	<u>100,982</u>
Total	<u>217,083</u>			Total	<u>216,338</u>
Liabilities related to pledged assets				Liabilities related to pledged assets	
Short-term borrowings	130,008			Short-term borrowings	130,008
Long-term borrowings	<u>378,318</u>			Long-term borrowings	<u>345,816</u>
Total	<u>508,326</u>			Total	<u>475,824</u>
However, the maximum coverage by the assets pledged as collateral through Neteitou comprehensive mortgage is 100,000 thousand yen.				However, the maximum coverage by the assets pledged as collateral through Neteitou comprehensive mortgage is 100,000 thousand yen.	
3.		3. Discounted export notes	74,676	3.	

FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
*1. Significant components of selling, general and administrative expenses Directors' remunerations 92,951 Salary expenses 87,293 Provision for accrued bonuses 7,185 Provisions for product warranty 6,941 R&D expenses 117,165	*1. Significant components of selling, general and administrative expenses Directors' remunerations 89,370 Salary expenses 113,947 Provision for accrued bonuses 8,418 Provisions for product warranty 19,423 R&D expenses 124,336	*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 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

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 Feb. 28, 2007 (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	2,000	-	3,000
Total	1,000	2,000	-	3,000

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 (2,000 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 (June 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)	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: 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 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 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 Feb. 28, 2006)	Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of current period. (As of Feb. 28, 2007)	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 2,566,379	Cash and deposits in banks 2,367,713	Cash and deposits in banks 2,196,854
Term deposits with maturities over 3 months (54,426)	Term deposits with maturities over 3 months (53,263)	Term deposits with maturities over 3 months (55,026)
Cash and cash equivalents <u>2,511,953</u>	Cash and cash equivalents <u>2,314,449</u>	Cash and cash equivalents <u>2,141,828</u>

Leases

Yen in thousands

FY5/06 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 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 & fixture</i>
Acquisition cost equivalents: 7,843	Acquisition cost equivalents: 4,422	Acquisition cost equivalents: 7,843
Accumulated depreciation equivalents: 5,268	Accumulated depreciation equivalents: 2,874	Accumulated depreciation equivalents: 5,632
Period-end balance equivalents: 2,574	Period-end balance equivalents: 1,547	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: 2,410	Accumulated depreciation equivalents: 3,172	Accumulated depreciation equivalents: 2,601
Period-end balance equivalents: 1,395	Period-end balance equivalents: 634	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: 7,679	Accumulated depreciation equivalents: 6,046	Accumulated depreciation equivalents: 8,233
Period-end balance equivalents: 3,970	Period-end balance equivalents: 2,182	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 1,870	Due within one year 1,660	Due within one year 1,742
Due over one year 2,367	Due over one year 707	Due over one year 1,922
<u>Total 4,238</u>	<u>Total 2,367</u>	<u>Total 3,665</u>
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 1,864	Lease payments 1,408	Lease payments 2,486
Depreciation equivalents 1,661	Depreciation equivalents 1,234	Depreciation equivalents 2,215
Interest payments 184	Interest payments 110	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 1st – 3rd Qtr. (As of Feb. 28, 2006)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	32,630	34,370	1,740
Others	41,692	41,101	(590)
Total	74,322	75,472	1,149

Note: 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	19,966
Unlisted stock	30,000

FY5/07 1st – 3rd Qtr. (As of Feb. 28, 2007)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	27,630	29,071	1,441
Others	41,070	41,620	549
Total	68,701	70,692	1,990

Note: 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	19,996
Unlisted foreign bonds	59,220

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: 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	19,967
Unlisted stock	30,000

Derivatives

FY5/06 1st – 3rd Qtr. (As of Feb. 28, 2006)

No reportable information. The Company had no open derivative positions.

FY5/07 1st – 3rd Qtr. (As of Feb. 28, 2007)

No reportable information. The Company had no open derivative positions.

FY5/06 (As of May 31, 2006)

No reportable information. The Company had no open derivative positions.

Stock Options

FY5/07 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

No reportable information.

FY5/06 (June 1, 2005 – May 31, 2006)

1. Description, size and changes in stock options

(1) Description of stock options

	Stock options (issued in 2002)	Stock options (issued in 2003)
Number and qualifications of individuals granted the stock options	Company's directors (6) and employees (17)	Company's directors (6) and employees (31)
Number of stock options (Note)	Common shares: 256	Common shares: 300
Date of grant of stock options	August 30, 2002	February 12, 2004
Terms of exercise	Not defined	Not defined
Period of service for eligibility	Not defined	Not defined
Exercise period	September 1, 2004 – August 31, 2007	September 1, 2005 – August 31, 2008

	Stock options (issued in 2004)	Stock options (issued in 2005)
Number and qualifications of individuals granted the stock options	Company's directors (6) and employees (44)	Company's directors (4) and employees (39)
Number of stock options (Note)	Common shares: 500	Common shares: 500
Date of grant of stock options	April 25, 2005	April 14, 2006
Terms of exercise	Not defined	Not defined
Period of service for eligibility	Not defined	Not defined
Exercise period	September 1, 2006 – August 31, 2009	September 1, 2007 – August 31, 2010

Note: The number of shares is adjusted for the stock split conducted after the issue of the stock acquisition rights.

(2) Size and changes in stock options

The following statement includes stock options valid during the current fiscal year (May 2006) and is presented as the number of shares resulting from the exercise of the stock options.

1) Number of stock options

	Stock options (issued in 2002)	Stock options (issued in 2003)
Before rights ascertainment (shares)		
As of May 31, 2005	-	-
Issued	-	-
Invalidated	-	-
Rights ascertained	-	-
Rights not ascertained	-	-
After rights ascertainment (shares)		
As of May 31, 2005	4	284
Rights ascertained	-	-
Rights exercised	4	-
Invalidated	-	52
Balance of unexercised rights	-	232

	Stock options (issued in 2004)	Stock options (issued in 2005)
Before rights ascertainment (shares)		
As of May 31, 2005	500	-
Issued	-	500
Invalidated	110	7
Rights ascertained	-	-
Rights not ascertained	390	493
After rights ascertainment (shares)		
As of May 31, 2005	-	-
Rights ascertained	-	-
Rights exercised	-	-
Invalidated	-	-
Balance of unexercised rights	-	-

2) Price information

	Stock options (issued in 2002)	Stock options (issued in 2003)
Exercise price (yen)	50,500	340,000
Average stock price at the time of exercise (yen)	159,000	-
Fair value (date of issue) (yen)	-	-

	Stock options (issued in 2004)	Stock options (issued in 2005)
Exercise price (yen)	159,000	219,000
Average stock price at the time of exercise (yen)	-	-
Fair value (date of issue) (yen)	-	-

Segment Information

(1) Operating segment information

FY5/06 1st – 3rd Qtr. (June 1, 2005 – Feb. 28, 2006)

Yen in thousands

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	1,041,696	46,230	1,087,926	-	1,087,926
(2) Inter-segment sales and transfers	-	50	50	(50)	-
Total	1,041,696	46,280	1,087,976	(50)	1,087,926
Operating expenses	772,581	130,547	903,129	319,675	1,222,805
Operating income (loss)	269,114	(84,267)	184,847	(319,725)	(134,878)

Notes: 1. Reclassification of operating segments

Operating segments are based on products and market similarity.

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 1st – 3rd Qtr.	Description
Operating expenses included in “Elimination or corporate”	319,675	Expenses related to the administration division at INTER ACTION Corporation.

FY5/07 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

Yen in thousands

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	1,254,990	72,602	1,327,593	-	1,327,593
(2) Inter-segment sales and transfers	3,348	47,500	50,848	(50,848)	-
Total	1,258,338	120,102	1,378,441	(50,848)	1,327,593
Operating expenses	890,401	168,867	1,059,269	332,915	1,392,185
Operating income (loss)	367,936	(48,764)	319,171	(383,763)	(64,591)

Notes: 1. Reclassification of operating segments

Operating segments are based on based on products and market similarity.

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 1st – 3rd Qtr.	Description
Operating expenses included in “Elimination or corporate”	332,915	Expenses related to the administration division at INTER ACTION Corporation.

FY5/06 (June 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 based on products and market similarity.

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 1st – 3rd Qtr. (June 1, 2005 – Feb. 28, 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.

FY5/07 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

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 (June 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 1st – 3rd Qtr. (June 1, 2005 – Feb. 28, 2006)

Yen in thousands

	Asia	North America	Total
I Overseas sales	148,684	11,215	159,899
II Consolidated sales	-	-	1,087,926
III Share of overseas sales in total consolidated sales	13.7%	1.0%	14.7%

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, South 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 1st – 3rd Qtr. (June 1, 2006 – Feb. 28, 2007)

Yen in thousands

	Asia	North America	Europe	Total
I Overseas sales	219,215	89,775	17,865	326,856
II Consolidated sales	-	-	-	1,327,593
III Share of overseas sales in total consolidated sales	16.5%	6.8%	1.3%	24.6%

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, South 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 (June 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, South 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 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
Net assets per share:	38,271.42	35,562.09	41,066.15
Net income (loss) per share (basic):	(1,308.23)	(1,924.08)	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 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
Net income (loss)	(82,183)	(119,787)	96,469
Amount not available to common shareholders [of which directors' bonuses paid through appropriation of income]	-	-	-
Net income (loss) applicable to common stock	(82,183)	(119,787)	96,469
Average number of common stock outstanding during period	62,820 shares	62,257 shares	62,820 shares
Increase in the number of common stock outstanding [of which stock acquisition rights]	- share [- share]	- share [- share]	45 shares [45 shares]
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: 260 shares	Number of new stock acquisition rights: No.2: 142 shares Number of new stock acquisition rights: No.3: 239 shares Number of new stock acquisition rights: No.4: 340 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 1st – 3rd Qtr. June 1, 2005 – Feb. 28, 2006	FY5/07 1st – 3rd Qtr. June 1, 2006 – Feb. 28, 2007	FY5/06 June 1, 2005 – May 31, 2006
<p>_____</p>	<p>_____</p>	<p>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.</p>

** 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.*