October 12, 2007

Financial Summaries for the First Quarter of the Fiscal Year Ending May 31, 2008
(June 1, 2007 – August 31, 2007)

Company name: **INTER ACTION Corporation**
Stock exchange listing: TSE Mothers Market
Stock code: 7725
URL: http://www.inter-action.co.jp/
Representative: Masao Kimura, President, CEO & COO
Contact: Tsuyoshi Fukuda, Executive Vice President & CFO
Tel: +81-45-788-8373

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

1. Consolidated Financial Results for the Three Months Ended August 31, 2007 (June 1, 2007 – August 31, 2007)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Aug. 2007	299	(56.0)	(86)	-	(107)	-	(82)	-
Three months ended Aug. 2006	679	49.8	110	-	115	-	70	-
Fiscal year ended May 2007	1,909	(8.7)	13	(91.5)	24	(82.5)	(43)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Three months ended Aug. 2007	(1,353.84)	-
Three months ended Aug. 2006	1,122.33	1,121.62
Fiscal year ended May 2007	(705.59)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2007	4,085	2,123	52.0	34,904.80
As of Aug. 31, 2006	4,682	2,621	56.0	41,726.66
As of May 31, 2007	4,219	2,238	53.1	36,789.60

(3) Consolidated cash flow position

	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
Three months ended Aug. 2007	(186)	(59)	8	1,699
Three months ended Aug. 2006	137	(15)	(149)	2,121
Fiscal year ended May 2007	313	(92)	(434)	1,941

2. Dividends

	Dividend per share	
Record date	Year-end	Annual
	Yen	Yen
Fiscal year ended May 2007	500.00	500.00
Fiscal year ending May 2008	-	500.00
Fiscal year ending May 2008 (forecast)	500.00	

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2008 (June 1, 2007 – May 31, 2008)

(Percentages represent changes from the same period of the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	983	(6.8)	16	(66.5)	4	(91.3)	2	-	32.87
Full year	2,489	30.4	189	-	165	565.2	96	-	1,577.88

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
Newly added: - Excluded: -

(2) Accounting standards for the preparation of quarterly consolidated financial statements:
The standards for the Interim Consolidated Financial Statements

(3) Changes in accounting principles from the most recent consolidated fiscal year: None

(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.

5. Summary of Non-consolidated Financial Results (June 1, 2007 – August 31, 2007)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Aug. 2007	294	(56.7)	(56)	-	(74)	-	(49)	-
Three months ended Aug. 2006	679	49.3	138	-	145	-	88	-
Fiscal year ended May 2007	1,853	(11.3)	9	(96.6)	31	(88.4)	15	(91.2)

	Net income per share (basic)
	Yen
Three months ended Aug. 2007	(813.84)
Three months ended Aug. 2006	1,407.18
Fiscal year ended May 2007	245.46

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2007	4,103	2,292	55.9	37,675.18
As of Aug. 31, 2006	4,603	2,716	59.0	43,232.11
As of May 31, 2007	4,178	2,373	56.8	39,014.19

6. Non-consolidated Forecast for the Fiscal Year Ending May 31, 2008 (June 1, 2007 – May 31, 2008)

(Percentages represent changes from the same period of the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	899	(14.8)	11	(90.2)	1	(99.1)	1	(98.6)	16.44
Full year	2,307	24.5	175	-	155	396.3	90	492.3	1,479.27

<u>* Cautionary statement with respect to forward-looking statements</u>

Above 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 and Financial Statements

1. Qualitative information regarding consolidated operational results

The operating environment for INTER ACTION remained challenging in the first quarter of the current fiscal year. Some Japanese manufacturers of semiconductor imagers postponed capital expenditures and imager manufacturers and test houses in South Korea and Taiwan reduced their capital expenditures.

In response to these challenges, the Company concentrated on developing products that target customers' needs, building relationships with new customers and selling new options, like the pupil module, for existing machinery. However, due to the adverse market conditions, some customers delayed deliveries of INTER ACTION products that had been scheduled for the first quarter. The result was a year-on-year decline of 56.0% in sales to 299 million yen. First quarter orders received fell 57.4% to 193 million yen and the order backlog at the end of the first quarter was 410 million yen.

Despite a number of cost-cutting initiatives, INTER ACTION reported a loss in the first quarter mainly because of the downturn in sales and expenses for developing new products. There was an operating loss of 86 million yen compared with operating income of 110 million yen one year earlier, an ordinary loss of 107 million yen compared with ordinary income of 115 million yen one year earlier, and a net loss of 82 million yen compared with net income of 70 million yen one year earlier.

Sales by product category were as follows.

(Electronics testing equipment business)

The performance of this segment was severely impacted by reductions in capital expenditures for illuminators in South Korea and Taiwan. The Group is currently working on developing camera module testing systems and production yield improvement testing systems into core businesses alongside illuminators in this segment. Despite extensive measures to develop and sell new products in these two new categories, significant contributions to segment sales and earnings will not begin to appear until at least the second quarter of this fiscal year. As a result, segment sales to external customers fell 56.7% to 294 million yen. Orders received were down 54.2% to 184 million yen and the order backlog was 276 million yen.

(Security systems business)

The security systems business is operated by subsidiary BIJ Corporation. Due to aggressive sales activities, this company had an order backlog of 133 million yen at the end of the first quarter, 167.9% more than one year earlier. Since deliveries are scheduled for the second and third quarters, this segment had only 5 million yen of sales to external customers in the first quarter, just as initially planned, compared with no sales one year earlier.

2. Qualitative information regarding consolidated financial position

Total assets decreased 133 million yen over the end of the previous fiscal year to 4,085 million yen at the end of the first quarter of the current fiscal year. Current assets decreased 157 million yen to 3,106 million yen. This was mainly attributable to a decline in cash and deposits in banks. Fixed assets increased 24 million yen to 979 million yen mainly because of acquisition of investment securities.

Total liabilities decreased 18 million yen to 1,961 million yen. There was a 23 million yen increase in current liabilities to 680 million yen. Long-term liabilities decreased 42 million yen to 1,281 million yen.

Net assets decreased 114 million yen to 2,123 million yen.

Cash flow position

Cash and cash equivalents totaled 1,699 million yen as of August 31, 2007, 242 million yen less than three months earlier.

Net cash used in operating activities was 186 million yen (compared with net cash provided of 137 million yen one year earlier). The primary uses of cash were net loss before income taxes of 112 million yen and a decrease in trade payables of 52 million yen.

Net cash used in investing activities was 59 million yen (compared with net cash used of 15 million yen one year earlier). The principal use of cash was payment of 84 million yen for acquisition of investment securities.

Net cash provided by financing activities was 8 million yen (compared with net cash used of 149 million yen one year earlier).

3. Qualitative information regarding forecast

Although first quarter performance fell somewhat short of the Company's plans, the Company will continue to conduct product development and sales activities with the aim of achieving the current forecasts.

Interim and full-year forecasts remain the same as those disclosed on July 13, 2007, at this time.

4. Others

There is no change in significant subsidiaries during the period.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Yen in thousands

Account \ Period	FY5/07 1st Qtr. As of Aug. 31, 2006		FY5/08 1st Qtr. As of Aug. 31, 2007		FY5/07 As of May 31, 2007	
	Amount	%	Amount	%	Amount	%
Assets						
I Current assets						
1. Cash and deposits in banks	2,176,760		1,753,636		1,995,826	
2. Trade notes and accounts receivable	722,273		519,605		512,686	
3. Securities	19,974		20,032		20,014	
4. Inventories	651,154		643,398		624,096	
5. Other current assets	115,288		169,819		111,654	
6. Allowance for doubtful accounts	(412)		(45)		(70)	
Total current assets	3,685,038	78.7	3,106,448	76.0	3,264,207	77.4
II Fixed assets						
1. Tangible fixed assets *1,2						
(1) Buildings and structures	396,833		351,324		386,232	
(2) Other tangible fixed assets	335,091		322,447		317,586	
Total tangible fixed assets	731,925		673,772		703,818	
2. Intangible assets	22,043		39,757		41,514	
3. Investments and other assets	243,455		265,486		209,578	
Total fixed assets	997,423	21.3	979,016	24.0	954,911	22.6
Total assets	4,682,461	100.0	4,085,464	100.0	4,219,118	100.0
Liabilities						
I Current liabilities						
1. Trade accounts payable	96,173		46,484		98,490	
2. Short-term borrowings *2	330,012		409,178		359,178	
3. Current portion of corporate bonds	522,000		-		60,000	
4. Reserve for bonuses	16,965		21,248		-	
5. Reserve for product warranty	7,154		18,473		15,755	
6. Other current liabilities	208,812		184,759		123,654	
Total current liabilities	1,181,118	25.2	680,144	16.6	657,078	15.6
II Long-term liabilities						
1. Corporate bonds	-		590,000		540,000	
2. Long-term borrowings *2	874,969		685,791		778,294	
3. Reserve for retirement benefits	4,939		5,835		5,380	
4. Other long-term liabilities	-		50		50	
Total long-term liabilities	879,908	18.8	1,281,676	31.4	1,323,724	31.3
Total liabilities	2,061,026	44.0	1,961,821	48.0	1,980,802	46.9
Net assets						
I Shareholders' equity						
1. Common stock	1,101,360	23.5	1,102,711	27.0	1,102,711	26.1
2. Capital surplus	1,032,360	22.1	1,033,711	25.3	1,033,711	24.5
3. Retained earnings	651,569	13.9	424,594	10.4	537,383	12.8
4. Treasury stock	(163,811)	(3.5)	(435,250)	(10.7)	(435,250)	(10.3)
Total shareholders' equity	2,621,479	56.0	2,125,768	52.0	2,238,557	53.1
II Valuation and translation adjustments						
1. Unrealized holding gain (loss) on other securities	(43)	(0.0)	(2,125)	(0.0)	(241)	(0.0)
Total valuation and translation adjustments	(43)	(0.0)	(2,125)	(0.0)	(241)	(0.0)
Total net assets	2,621,435	56.0	2,123,642	52.0	2,238,315	53.1
Total liabilities and net assets	4,682,461	100.0	4,085,464	100.0	4,219,118	100.0

(2) Consolidated Income Statement

Yen in thousands

Period / Account		FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006			FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007			FY5/07 Jun. 1, 2006 – May 31, 2007		
		Amount		%	Amount		%	Amount		%
I Sales			679,843	100.0		299,372	100.0		1,909,144	100.0
II Cost of sales			345,319	50.8		129,915	43.4		954,214	50.0
Gross profit			334,523	49.2		169,456	56.6		954,929	50.0
III Selling, general and administrative expenses	*1		224,000	32.9		255,942	85.5		941,665	49.3
Operating income (loss)			110,522	16.3		(86,485)	(28.9)		13,264	0.7
IV Non-operating income										
1. Interest income		1,291			2,015			6,107		
2. Dividends income		0			0			0		
3. Foreign exchange gain		13,055			-			25,353		
4. Rent for rental assets		3,423			3,908			14,665		
5. Other non-operating income		759	18,530	2.7	821	6,747	2.3	30,844	76,972	4.0
V Non-operating expenses										
1. Interest expenses		5,845			6,992			25,631		
2. Foreign exchange loss		-			9,912			-		
3. Charges for rental assets		2,292			1,972			9,376		
4. Loss on disposal of raw materials		4,406			-			4,406		
5. Other non-operating expenses		1,478	14,022	2.1	8,813	27,690	9.3	26,016	65,431	3.4
Ordinary income (loss)			115,031	16.9		(107,428)	(35.9)		24,804	1.3
VI Extraordinary income										
1. Reversal of product warranty		1,098			548			5,005		
2. Other extraordinary income		-	1,098	0.2	25	574	0.2	3,155	8,160	0.4
VII Extraordinary loss										
1. Losses on sales of fixed assets	*2	-			5,509			-		
2. Losses on disposal of fixed assets	*3	451	451	0.1	207	5,717	1.9	451	451	0.0
Net income (loss) before income taxes			115,678	17.0		(112,572)	(37.6)		32,513	1.7
Income taxes - current		50,549			1,126			8,420		
Income taxes - deferred		(5,379)	45,169	6.6	(31,329)	(30,203)	(10.1)	67,769	76,190	4.0
Net income (loss)			70,509	10.4		(82,369)	(27.5)		(43,676)	(2.3)

(3) Consolidated Statement of Changes in Shareholders' Equity

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 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					
Dividend of surplus			(31,412)		(31,412)
Net income			70,509		70,509
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	-	39,097	-	39,097
Balance as of Aug. 31, 2006	1,101,360	1,032,360	651,569	(163,811)	2,621,479

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			
Dividend of surplus			(31,412)
Net income			70,509
Changes (net) in items other than shareholders' equity	2,398	2,398	2,398
Total changes in the current period	2,398	2,398	41,495
Balance as of Aug. 31, 2006	(43)	(43)	2,621,435

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007)

Yen in thousands

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2007	1,102,711	1,033,711	537,383	(435,250)	2,238,557
Changes in the current period					
Dividend of surplus			(30,420)		(30,420)
Net loss			(82,369)		(82,369)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	-	(112,789)	-	(112,789)
Balance as of Aug. 31, 2007	1,102,711	1,033,711	424,594	(435,250)	2,125,768

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, 2007	(241)	(241)	2,238,315
Changes in the current period			
Dividend of surplus			(30,420)
Net loss			(82,369)
Changes (net) in items other than shareholders' equity	(1,883)	(1,883)	(1,883)
Total changes in the current period	(1,883)	(1,883)	(114,673)
Balance as of Aug. 31, 2007	(2,125)	(2,125)	2,123,642

FY5/07 (Jun. 1, 2005 – May 31, 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 fiscal year					
New stock issue	1,351	1,351			2,703
Dividend of surplus			(31,412)		(31,412)
Net loss			(43,676)		(43,676)
Increase of treasury stock				(271,439)	(271,439)
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	1,351	1,351	(75,088)	(271,439)	(343,824)
Balance as of May 31, 2007	1,102,711	1,033,711	537,383	(435,250)	2,238,557

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 fiscal year			
New stock issue			2,703
Dividend of surplus			(31,412)
Net loss			(43,676)
Increase of treasury stock			(271,439)
Changes (net) in items other than shareholders' equity	2,200	2,200	2,200
Total changes in the fiscal year	2,200	2,200	(341,624)
Balance as of May 31, 2007	(241)	(241)	2,238,315

(4) Consolidated Cash Flow Statement

Yen in thousands

Account \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
	Amount	Amount	Amount
I Cash flows from operating activities			
1. Net income (loss) before income taxes	115,678	(112,572)	32,513
2. Depreciation and amortization	22,383	22,550	96,392
3. Increase (decrease) in allowance for doubtful accounts	170	(25)	(171)
4. Increase (decrease) in reserve for product warranty	(412)	2,717	8,188
5. Increase in reserve for retirement benefits	238	455	679
6. Interest and dividend income	(1,291)	(2,016)	(6,107)
7. Interest expenses and guarantee fees	6,547	7,334	28,306
8. Stock issue expenses	415	-	1,019
9. Bond issue expenses	-	1,559	11,449
10. Losses on cancellation of insurance	-	2,587	-
11. Foreign exchange loss (income)	(7,938)	9,960	(16,969)
12. Loss on sales of tangible fixed assets	-	5,509	-
13. Loss on disposal of tangible fixed assets	451	207	451
14. Gains on sale of investment securities	-	-	(2,983)
15. Decrease (increase) in trade receivables	295,546	(8,463)	502,168
16. Increase in inventories	(86,182)	(33,857)	(63,006)
17. Decrease in trade payables	(43,928)	(52,005)	(31,187)
18. Increase (decrease) in other assets and liabilities	(18,071)	(22,406)	(24,072)
Subtotal	283,607	(178,464)	536,670
19. Interests and dividends received	938	1,702	6,318
20. Interests and guarantee fees paid	(5,779)	(9,552)	(25,340)
21. Income taxes paid	(141,313)	(576)	(204,249)
Net cash provided by (used in) operating activities	137,452	(186,890)	313,398
II Cash flows from investing activities			
1. Payment for term deposits	(603)	(634)	(2,437)
2. Withdrawal of term deposits	-	-	3,600
3. Payment for acquisition of securities	-	(18)	-
4. Payment for acquisition of tangible fixed assets	(18,475)	(15,805)	(66,749)
5. Proceeds from sale of tangible fixed assets	-	35,827	1,070
6. Payment for acquisition of intangible assets	-	(669)	(23,001)
7. Payment for acquisition of investment securities	-	(84,083)	(59,601)
8. Proceeds from sale of investment securities	-	3	46,767
9. Payment for deposits	-	(7,677)	-
10. Proceeds from deposits	110	-	9,372
11. Proceeds from cancellation of reserve for insurance	-	11,033	-
12. Proceeds from collection of loans	4,531	1,350	40,026
13. Increase/decrease in other assets	(992)	781	(41,838)
Net cash used in investing activities	(15,430)	(59,892)	(92,791)
III Cash flows from financing activities			
1. Proceeds from short-term borrowings	-	150,000	50,000
2. Repayment of short-term borrowings	-	(100,000)	(50,000)
3. Proceeds from long-term borrowings	-	-	200,000
4. Repayment of long-term borrowings	(132,503)	(92,503)	(400,012)
5. Proceeds from corporate bond issuance	-	98,440	588,550
6. Payment for redemption of corporate bonds	-	(30,000)	(522,000)
7. Proceeds from new share issuance	(415)	-	1,683
8. Payment for acquisition of treasury stock	-	-	(271,439)
9. Cash dividends paid	(16,337)	(17,662)	(31,086)
Net cash provided by (used in) financing activities	(149,255)	8,275	(434,303)
IV Effect of exchange rate changes on cash and cash equivalents	6,536	(4,316)	13,830
V Decrease in cash and cash equivalents	(20,697)	(242,824)	(199,864)
VI Cash and cash equivalents at beginning of period	2,141,828	1,941,963	2,141,828
VII Cash and cash equivalents at end of period	2,121,131	1,699,138	1,941,963

Basis for the Preparation of the Consolidated Financial Statements

Period / Items	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
1. Scope of consolidation	(1) Number of consolidated subsidiary: 1 BIJ Corporation	(1) Number of consolidated subsidiary: 1 BIJ Corporation	(1) Number of consolidated subsidiary: 1 BIJ Corporation
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			
(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 net assets. 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) 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: Same as on the left. Other securities without market quotations: Same as on the left. 3) Derivatives Same as on the left.	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.

Items \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
(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.	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. Tangible fixed assets acquired before March 31, 2007 is calculated by the former declining balance method and the former straight-line method as stipulated in the Corporation Tax Law. 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.	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. Tangible fixed assets acquired before March 31, 2007 is calculated by the former declining balance method and the former straight-line method as stipulated in the Corporation Tax Law. 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. (Change in accounting policies) In accordance with the revision to the Corporation Tax Law, depreciation of tangible fixed assets acquired on and after April 1, 2007 is calculated based on the revised standard from the current fiscal year. The effect of this change on profit or loss for the current fiscal year is insignificant.
	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.	2) Intangible assets Same as on the left.	2) Intangible assets Same as on the left.
(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.	1) Allowance for doubtful accounts Same as on the left.	1) Allowance for doubtful accounts Same as on the left.

Items \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
	2) Reserve for bonuses To provide for employees' bonus obligations, an amount accrued for the current period is designated in the reserve account.	2) Reserve for bonuses Same as on the left.	―――――
	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.	3) Reserve for product warranty Same as on the left.	3) Reserve for product warranty Same as on the left.
	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.	4) Reserve for retirement benefits Same as on the left.	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 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 period. Translation gain or loss is accounted as profit or loss.	Same as on the left.	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) Significant 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.	Same as on the left.	Same as on the left.
(6) Significant hedge accounting	1) Hedge accounting method Interest rate swaps that accounted by the short-cut method since they meet certain criteria.	1) Hedge accounting method Same as on the left.	1) Hedge accounting method Same as on the left.
	2) Hedging instrument and risk hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings	2) Hedging instrument and risk hedged Same as on the left.	2) Hedging instrument and risk hedged Same as on the left.

Period / Items	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
	3) Hedging policy To reduce exposure to risks from fluctuations in interest rates on borrowings. Identification of the risk hedged is carried out for each hedge transaction.	3) Hedging policy Same as on the left.	3) Hedging policy Same as on the left.
	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) Other significant accounting policies	Accounting for consumption taxes Consumption taxes are accounted using the net-of-tax method.	Accounting for consumption taxes Same as on the left.	Accounting for consumption taxes 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.	Same as on the left.	Same as on the left.

Change in Basis for the Presentation of the Consolidated Financial Statements

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
―――――	―――――	(Accounting for deferred assets) Effective from the current fiscal year, the Company has adopted “Tentative Solution Accounting for Deferred Assets” (Accounting Standards Board of Japan, August 11, 2006). The effect of this change on profit or loss is insignificant. “New share issue expenses” in the cash flow statement is renamed “Stock issue expenses.”

Reclassifications

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007
(Consolidated balance sheets) “Buildings” presented as a component of “Other tangible fixed assets” under tangible fixed assets in prior periods, is reclassified and presented as a separate item effective from the current period since the amount exceeded 5/100th of total assets. “Buildings” totaled 205,720 thousand yen as of the end of the previous period. “Current portion of corporate bonds,” presented as a component of “Other current liabilities” under current liabilities in prior periods, is reclassified and presented as a 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 64,000 thousand yen as of the end of the previous period.	(Consolidated balance sheets) “Current portion of corporate bonds,” presented as a separate item in prior periods, is reclassified and presented as a component of “Other current liabilities” under current liabilities effective from the current period since the amount less 5/100th of total liabilities and net assets. “Current portion of corporate bonds” totaled 80,000 thousand yen as of the end of the current period.

(5) Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

Yen in thousands

FY5/07 1st Qtr. As of Aug. 31, 2006	FY5/08 1st Qtr. As of Aug. 31, 2007	FY5/07 As of May 31, 2007
*1. Accumulated depreciation of tangible fixed assets 183,838	*1. Accumulated depreciation of tangible fixed assets 255,284	*1. Accumulated depreciation of tangible fixed assets 238,444
*2. Pledged assets and liabilities related to pledged assets Pledged assets Buildings 114,609 Land 100,982 Total 215,592 Liabilities related to pledged assets Short-term borrowings 130,008 Long-term borrowings 313,314 Total 443,322 However, the maximum coverage by the liabilities related to pledged assets through *Neteitou* comprehensive mortgage is 100,000 thousand yen.	*2. ——————	*2. ——————
3. ——————	3. ——————	3. Discounted export notes 67,894

Notes to Consolidated Income Statement

Yen in thousands

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
*1. Significant components of selling, general and administrative expenses Directors' remunerations 30,070 Salary expenses 36,839 Provision for accrued bonuses 8,647 Provision for doubtful accounts 170 Provisions for product warranty 2,719 R&D expenses 20,721	*1. Significant components of selling, general and administrative expenses Directors' remunerations 22,490 Salary expenses 49,541 Provision for accrued bonuses 12,704 Provisions for product warranty 6,764 R&D expenses 45,688	*1. Significant components of selling, general and administrative expenses Directors' remunerations 112,220 Salary expenses 157,839 Provisions for product warranty 22,487 R&D expenses 153,911
*2. ――――	*2. Losses on sale of fixed assets Buildings and land 5,509	*2. ――――
*3 Losses on disposal of fixed assets Tools, furniture and fixtures 451	*3 Losses on disposal of fixed assets Buildings 207	*3 Losses on disposal of fixed assets Tools, furniture and fixtures 451

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006)

1. Type and number of outstanding shares and treasury stock

	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 Aug. 31, 2006 (Shares)
Outstanding shares Common shares	63,824	-	-	63,824
Total	63,824	-	-	63,824
Treasury stock Common shares	1,000	-	-	1,000
Total	1,000	-	-	1,000

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 effective date in the following period

No reportable information.

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of May 31, 2007 (Shares)	Increase during the current period (Shares)	Decrease during the current period (Shares)	Number of shares as of Aug. 31, 2007 (Shares)
Outstanding shares Common shares	63,841	-	-	63,841
Total	63,841	-	-	63,841
Treasury stock Common shares	3,000	-	-	3,000
Total	3,000	-	-	3,000

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 23, 2007	Common shares	30,420	500	May 31, 2007	August 24, 2007

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

No reportable information.

FY5/07 (Jun. 1, 2006 – May 31, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of May 31, 2006 (Shares)	Increase during the current fiscal year (Shares)	Decrease during the current fiscal year (Shares)	Number of shares as of May 31, 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 of treasury stock (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 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 23, 2007	Common shares	30,420	Retained earnings	500	May 31, 2007	August 24, 2007

Notes to Consolidated Cash Flow Statement

Yen in thousands

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of current period. (As of Aug. 31, 2006) Cash and deposits in banks 2,176,760 Term deposits with maturities over 3 months (55,629) Cash and cash equivalents 2,121,131	Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of current period. (As of Aug. 31, 2007) Cash and deposits in banks 1,753,636 Term deposits with maturities over 3 months (54,497) Cash and cash equivalents 1,699,138	Reconciliation of balance sheet items to cash and cash equivalents in cash flow statement at the end of fiscal year. (As of May 31, 2007) Cash and deposits in banks 1,995,826 Term deposits with maturities over 3 months (53,863) Cash and cash equivalents 1,941,963

Leases

Yen in thousands

<table>
<tr><th>FY5/07 1st Qtr.
Jun. 1, 2006 – Aug. 31, 2006</th><th>FY5/08 1st Qtr.
Jun. 1, 2007 – Aug. 31, 2007</th><th>FY5/07
Jun. 1, 2006 – May 31, 2007</th></tr>
<tr>
<td>Finance lease transactions not involving the transfer of title to lessee:
1. Acquisition cost, accumulated depreciation and period-end balance equivalents
Tools, furniture & fixtures
Acquisition cost equivalents: 4,422
Accumulated depreciation equivalents: 2,432
Period-end balance equivalents: 1,989
Software
Acquisition cost equivalents: 3,806
Accumulated depreciation equivalents: 2,791
Period-end balance equivalents: 1,015
Total
Acquisition cost equivalents: 8,228
Accumulated depreciation equivalents: 5,223
Period-end balance equivalents: 3,005

2. Minimum lease commitments and the period-end balance equivalents
Due within one year 1,766
Due over one year 1,472
Total 3,238

3. Lease payments, depreciation equivalents and interest equivalents
Lease payments 469
Depreciation equivalents 411
Interest equivalents 42

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.

5. Calculation of interest equivalents
Interest equivalents are defined as the difference between the total lease charges and acquisition cost equivalents and is allocated for each period using the simple-interest method.</td>
<td>Finance lease transactions not involving the transfer of title to lessee:
1. Acquisition cost, accumulated depreciation and period-end balance equivalents
Tools, furniture & fixtures
Acquisition cost equivalents: 2,777
Accumulated depreciation equivalents: 2,083
Period-end balance equivalents: 694
Software
Acquisition cost equivalents: 3,806
Accumulated depreciation equivalents: 3,552
Period-end balance equivalents: 253
Total
Acquisition cost equivalents: 6,584
Accumulated depreciation equivalents: 5,636
Period-end balance equivalents: 948

2. Minimum lease commitments and the period-end balance equivalents
Due within one year 888
Due over one year 149
Total 1,037

3. Lease payments, depreciation equivalents and interest equivalents
Lease payments 380
Depreciation equivalents 329
Interest equivalents 15

4. Calculation of accumulated depreciation equivalents
Same as on the left.

5. Calculation of interest equivalents
Same as on the left.</td>
<td>Finance lease transactions not involving the transfer of title to lessee:
1. Acquisition cost, accumulated depreciation and year-end balance equivalents
Tools, furniture & fixtures
Acquisition cost equivalents: 4,422
Accumulated depreciation equivalents: 3,095
Year-end balance equivalents: 1,326
Software
Acquisition cost equivalents: 3,806
Accumulated depreciation equivalents: 3,362
Year-end balance equivalents: 444
Total
Acquisition cost equivalents: 8,228
Accumulated depreciation equivalents: 6,458
Year-end balance equivalents: 1,770

2. Minimum lease commitments and the year-end balance equivalents
Due within one year 1,449
Due over one year 473
Total 1,922

3. Lease payments, depreciation equivalents and interest equivalents
Lease payments 1,877
Depreciation equivalents 1,645
Interest equivalents 135

4. Calculation of accumulated depreciation equivalents
Same as on the left.

5. Calculation of interest equivalents
Same as on the left.</td>
</tr>
</table>

Securities

FY5/07 1st Qtr. (As of Aug. 31, 2006)

1. Other securities with market quotations

Yen in thousands

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	36,940	37,313	372
Others	31,760	31,307	(453)
Total	68,701	68,620	(80)

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. Securities without market quotations *Yen in thousands*

Security	Carrying value
Other securities	
Medium-term government bond funds	19,974
Unlisted stock	30,000

FY5/08 1st Qtr. (As of Aug. 31, 2007)

1. Other securities with market quotations *Yen in thousands*

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	14,254	11,927	(2,326)
Others	41,067	39,806	(1,260)
Total	55,321	51,734	(3,586)

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. Securities without market quotations *Yen in thousands*

Security	Carrying value
Other securities	
Medium-term government bond funds	20,032
Unlisted stock	139,284

FY5/07 (As of May 31, 2007)

1. Other securities with market quotations *Yen in thousands*

Security	Acquisition cost	Carrying value	Unrealized gain/loss
Debt securities	14,254	12,715	(1,538)
Others	41,070	42,196	1,125
Total	55,324	54,911	(412)

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 fiscal year in accordance with accounting standards for financial instruments.

2. Securities without market quotations *Yen in thousands*

Security	Carrying value
Other securities	
Medium-term government bond funds	20,014
Unlisted stock	60,845

Derivatives

FY5/07 1st Qtr. (As of Aug. 31, 2006)
No reportable information since derivative transactions are accounted by the hedge accounting method.

FY5/08 1st Qtr. (As of Aug. 31, 2007)
No reportable information since derivative transactions are accounted by the hedge accounting method.

FY5/07 (As of May 31, 2007)
No reportable information since derivative transactions are accounted by the hedge accounting method.

Stock Options

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006)
No reportable information.

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007)
No reportable information.

FY5/07 (Jun. 1, 2006 – May 31, 2007)
1. Description, size and changes in stock options
(1) Description of stock options

	Stock options (issued in 2003)	Stock options (issued in 2004)
Number and qualifications of individuals granted the stock options	Company’s directors (6) and employees (31)	Company’s directors (6) and employees (44)
Number of stock options (Note)	Common shares: 300	Common shares: 500
Grant date	February 24, 2004	April 25, 2005
Vesting condition	Not defined	Not defined
Period of service for eligibility	Not defined	Not defined
Exercise period	September 1, 2005 – August 31, 2008	September 1, 2006 – August 31, 2009

	Stock options (issued in 2005)
Number and qualifications of individuals granted the stock options	Company’s directors (4) and employees (39)
Number of stock options (Note)	Common shares: 500
Grant date	April 14, 2006
Vesting condition	Not defined
Period of service for eligibility	Not defined
Exercise period	September 1, 2007 – August 31, 2010

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

(2) Size and changes in stock options

The following statement includes stock options valid during the current fiscal year (FY5/07) 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 2003)	Stock options (issued in 2004)
Before rights ascertainment (shares)		
As of May 31, 2006	-	390
Issued	-	-
Invalidated	-	2
Rights ascertained	-	388
Rights not ascertained	-	-
After rights ascertainment (shares)		
As of May 31, 2006	232	-
Rights ascertained	-	388
Rights exercised	-	17
Invalidated	94	136
Balance of unexercised rights	138	235

	Stock options (issued in 2005)
Before rights ascertainment (shares)	
As of May 31, 2006	493
Issued	-
Invalidated	158
Rights ascertained	-
Rights not ascertained	335
After rights ascertainment (shares)	
As of May 31, 2006	-
Rights ascertained	-
Rights exercised	-
Invalidated	-
Balance of unexercised rights	-

2) Price information

	Stock options (issued in 2003)	Stock options (issued in 2004)
Exercise price (yen)	340,000	159,000
Average stock price at the time of exercise (yen)	-	168,000
Fair value (grant date) (yen)	-	-

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

(6) Segment Information

1) Operating segment information

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006) *Yen in thousands*

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	679,843	-	679,843	-	679,843
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	679,843	-	679,843	-	679,843
Operating expenses	407,293	28,698	435,992	133,328	569,320
Operating income (loss)	272,549	(28,698)	243,851	[133,328]	110,522

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. Unallocated operating expenses included in “Elimination or corporate” *Yen in thousands*

	FY5/07 1st Qtr.	Description
Unallocated operating expenses included in “Elimination or corporate”	133,328	Expenses related to the administration division at INTER ACTION Corporation’s head office.

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007) *Yen in thousands*

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	294,101	5,270	299,372	-	299,372
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	294,101	5,270	299,372	-	299,372
Operating expenses	211,945	35,044	246,990	138,867	385,857
Operating income (loss)	82,156	(29,774)	52,382	[138,867]	(86,485)

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, image testing equipment, tester equipment
Security systems	Applied optics sensor products

3. Unallocated operating expenses included in “Elimination or corporate” *Yen in thousands*

	FY5/08 1st Qtr.	Description
Unallocated operating expenses included in “Elimination or corporate”	138,855	Expenses related to the administration division at INTER ACTION Corporation’s head office.

FY5/07 (Jun. 1, 2006 – May 31, 2007) *Yen in thousands*

	Electronics testing equipment	Security systems	Total	Elimination or corporate	Consolidation
Sales					
(1) External sales	1,696,285	212,858	1,909,144	-	1,909,144
(2) Inter-segment sales and transfers	7,716	143,000	150,716	[150,716]	-
Total	1,704,001	355,858	2,059,860	[150,716]	1,909,144
Operating expenses	1,211,653	346,312	1,557,966	337,913	1,895,879
Operating income	492,347	9,546	501,894	[488,629]	13,264

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. Unallocated operating expenses included in "Elimination or corporate" *Yen in thousands*

	FY5/07	Description
Unallocated operating expenses included in "Elimination or corporate"	488,663	Expenses related to the administration division at INTER ACTION Corporation's head office.

2) Geographical segment information

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 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 period.

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 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.

FY5/07 (Jun. 1, 2006 – May 31, 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 fiscal year.

3) Overseas sales

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006) *Yen in thousands*

		Asia	North America	Europe	Total
I	Overseas sales	111,806	26,446	13,782	152,035
II	Consolidated sales	-	-	-	679,843
III	Share of overseas sales in total consolidated sales	16.5%	3.9%	2.0%	22.4%

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
(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.

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007) *Yen in thousands*

		Asia	North America	Europe	Total
I	Overseas sales	17,836	80	-	17,917
II	Consolidated sales	-	-	-	299,372
III	Share of overseas sales in total consolidated sales	6.0%	0.0%	-	6.0%

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.

FY5/07 (Jun. 1, 2006 – May 31, 2007) *Yen in thousands*

		Asia	North America	Europe	Total
I	Overseas sales	346,621	107,986	17,865	472,473
II	Consolidated sales	-	-	-	1,909,144
III	Share of overseas sales in total consolidated sales	18.1%	5.7%	0.9%	24.7%

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: China, Taiwan, Korea, Singapore
(2) North America: U.S.A
(3) Europe: France, Italy
3. Overseas sales comprise sales of the Company and its consolidated subsidiary in countries and regions other than Japan.

Per Share Data

Yen

Period / Item	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Net assets per share	41,726.66	34,904.80	36,789.60
Net income (loss) per share (basic)	1,122.33	(1,353.84)	(705.59)
Net income per share (diluted)	1,121.62	Net income per share (diluted) is not presented since the Company has posted net loss and no outstanding dilutive securities.	Net income per share (diluted) is not presented since the Company has outstanding dilutive securities, though posted a net loss.

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

Yen in thousands

Period / Item	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Net income (loss)	70,509	(82,369)	(43,676)
Amount not available to common shareholders	-	-	-
Net income (loss) applicable to common stock	70,509	(82,369)	(43,676)
Average number of common stock outstanding during period	62,824 shares	60,841	61,900
Increase in the number of common stock outstanding	40 shares	-	-
[of which stock acquisition rights]	[40]	[-]	[-]
Summary of potential stock not included in the calculation of “net income per share (diluted)” since there was no dilutive effect.	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 116 stock options. (232 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 493 stock options. (493 common shares)	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 69 stock options. (138 common shares) The annual general meeting of shareholders on August 26, 2004 approved a resolution authorizing the Company to issue 235 stock options. (235 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 335 stock options. (335 common shares)	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 69 stock options. (138 common shares) The annual general meeting of shareholders on August 26, 2004 approved a resolution authorizing the Company to issue 235 stock options. (235 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 335 stock options. (335 common shares)

Subsequent Events

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Acquisition of treasury stock The INTER ACTION Board of Directors on October 13, 2006 approved a stock repurchase program in accordance with the Article of Incorporation pursuant to Article 165-2 of the Company Act, with details as follows: (1) Rationale The stock repurchase program will enable INTER ACTION to adopt timely and flexible financial strategies in response to changes in the operating environment. (2) Schedule From October 16, 2006 to January 15, 2007 (3) Method Purchase on the Mothers Market of the Tokyo Stock Exchange in accordance with its rules and regulations. (4) Type and number of stock authorized for repurchase Common stock Up to 1,000 shares (5) Total value of stocks authorized for repurchase Up to 200 million yen	―――	―――

6. Non-consolidated Financial Statements

(1) Balance Sheets

Yen in thousands

Account / Period		FY5/07 1st Qtr. As of Aug. 31, 2006		FY5/08 1st Qtr. As of Aug. 31, 2007		FY5/07 As of May 31, 2007	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits in banks		2,068,526		1,723,523		1,849,164	
2. Trade notes receivable		60,643		46,272		-	
3. Trade accounts receivable		661,629		453,027		491,424	
4. Inventories		605,304		533,717		554,562	
5. Other current assets		136,999		264,826		209,222	
6. Allowance for doubtful accounts		(412)		(45)		(70)	
Total current assets		3,532,691	76.7	3,021,321	73.6	3,104,303	74.3
II Fixed assets							
1. Tangible fixed assets	*1,2						
(1) Buildings		395,949		342,185		378,044	
(2) Land		114,867		106,616		114,867	
(3) Other tangible fixed assets		201,602		204,228		193,857	
Total tangible fixed assets		712,419		653,031		686,769	
2. Intangible assets		19,715		35,938		37,377	
3. Investments and other assets							
(1) Investment securities		91,013		183,657		107,800	
(2) Deferred tax assets		4,514		3,403		2,219	
(3) Other investments and other assets		243,121		206,576		239,686	
Total investments and other assets		338,649		393,638		349,706	
Total fixed assets		1,070,783	23.3	1,082,607	26.4	1,073,854	25.7
Total assets		4,603,475	100.0	4,103,929	100.0	4,178,157	100.0

Yen in thousands

Account / Period		FY5/07 1st Qtr. As of Aug. 31, 2006		FY5/08 1st Qtr. As of Aug. 31, 2007		FY5/07 As of May 31, 2007	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable		95,522		31,037		70,310	
2. Short-term borrowings	*2	290,012		369,178		319,178	
3. Current portion of corporate bonds		522,000		-		60,000	
4. Accrued income taxes		52,963		-		-	
5. Reserve for bonuses		16,228		20,264		-	
6. Reserve for product warranty		7,154		18,473		15,755	
7. Other current liabilities	*5	153,724		181,299		115,623	
Total current liabilities		1,137,605	24.7	620,253	15.1	580,866	13.9
II Long-term liabilities							
1. Corporate bonds		-		590,000		540,000	
2. Long-term borrowings	*2	744,969		595,791		678,294	
3. Reserve for retirement benefits		4,887		5,639		5,284	
4. Other long-term liabilities		-		50		50	
Total long-term liabilities		749,856	16.3	1,191,480	29.0	1,223,628	29.3
Total liabilities		1,887,461	41.0	1,811,733	44.1	1,804,495	43.2
Net assets							
I Shareholders' equity							
1. Common stock		1,101,360	23.9	1,102,711	26.9	1,102,711	26.4
2. Capital surplus							
(1) Additional paid-in capital		1,032,360		1,033,711		1,033,711	
Total capital surplus		1,032,360	22.4	1,033,711	25.2	1,033,711	24.7
3. Retained earnings							
(1) Legal reserve		2,600		2,600		2,600	
(2) Other retained earrings							
Retained earnings carried forward		742,564		589,418		669,353	
Total retained earnings		745,164	16.2	592,018	14.4	671,953	16.1
4. Treasury stock		(163,811)	(3.5)	(435,250)	(10.6)	(435,250)	(10.4)
Total shareholders' equity		2,715,073	59.0	2,293,192	55.9	2,373,127	56.8
II Valuation and translation adjustments							
1. Unrealized holding gain (loss) on other securities		939	0.0	(996)	(0.0)	535	0.0
Total valuation and translation adjustments		939	0.0	(996)	(0.0)	535	0.0
Total net assets		2,716,013	59.0	2,292,195	55.9	2,373,662	56.8
Total liabilities and net assets		4,603,475	100.0	4,103,929	100.0	4,178,157	100.0

(2) Income Statement

Yen in thousands

Account \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006		FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007		FY5/07 Jun. 1, 2006 – May 31, 2007	
	Amount	%	Amount	%	Amount	%
I Sales	679,843	100.0	294,101	100.0	1,853,701	100.0
II Cost of sales	343,814	50.6	120,057	40.8	1,012,867	54.6
Gross profit	336,028	49.4	174,044	59.2	840,833	45.4
III Selling, general and administrative expenses	197,031	29.0	230,743	78.5	831,355	44.9
Operating income (loss)	138,996	20.4	(56,699)	(19.3)	9,478	0.5
IV Non-operating income *1	18,695	2.8	7,067	2.4	77,326	4.2
V Non-operating expenses *2	12,545	1.8	25,046	8.5	55,571	3.0
Ordinary income (loss)	145,146	21.4	(74,677)	(25.4)	31,233	1.7
VI Extraordinary income	1,098	0.1	574	0.2	8,160	0.4
VII Extraordinary loss	451	0.1	5,687	1.9	451	0.0
Net income (loss) before income taxes	145,793	21.4	(79,790)	(27.1)	38,941	2.1
Income taxes - current	50,476	7.4	1,054	0.4	8,130	0.4
Income taxes - deferred	6,912	1.0	(31,329)	(10.7)	15,617	0.9
Net income (loss)	88,404	13.0	(49,514)	(16.8)	15,193	0.8

(3) Statement of Changes in Shareholders' Equity

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006)

Yen in thousands

	Shareholders' equity							
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Total capital surplus	Legal reserve	Other retained earrings	Total retained earnings		
					Retained earnings carried forward			
Balance as of May 31, 2006	1,101,360	1,032,360	1,032,360	2,600	685,571	688,171	(163,811)	2,658,081
Changes in the current period								
Dividend of surplus					(31,412)	(31,412)		(31,412)
Net income					88,404	88,404		88,404
Changes (net) in items other than shareholders' equity								
Total changes in the current period	-	-	-	-	56,992	56,992	-	56,992
Balance as of Aug. 31, 2006	1,101,360	1,032,360	1,032,360	2,600	742,564	745,164	(163,811)	2,715,073

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	(1,712)	(1,712)	2,656,368
Changes in the current period			
Dividend of surplus			(31,412)
Net income			88,404
Changes (net) in items other than shareholders' equity	2,652	2,652	2,652
Total changes in the current period	2,652	2,652	59,645
Balance as of Aug. 31, 2006	939	939	2,716,013

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007)

Yen in thousands

	Shareholders' equity							
		Capital surplus		Retained earnings				
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	Other retained earrings Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2007	1,102,711	1,033,711	1,033,711	2,600	669,353	671,953	(435,250)	2,373,127
Changes in the current period								
Dividend of surplus					(30,420)	(30,420)		(30,420)
Net loss					(49,514)	(49,514)		(49,514)
Changes (net) in items other than shareholders' equity								
Total changes in the current period	-	-	-	-	(79,935)	(79,935)	-	(79,935)
Balance as of Aug. 31, 2007	1,102,711	1,033,711	1,033,711	2,600	589,418	592,018	(435,250)	2,293,192

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, 2007	535	535	2,373,662
Changes in the current period			
Dividend of surplus			(30,420)
Net loss			(49,514)
Changes (net) in items other than shareholders' equity	(1,531)	(1,531)	(1,531)
Total changes in the current period	(1,531)	(1,531)	(81,466)
Balance as of Aug. 31, 2007	(996)	(996)	2,292,195

FY5/07 (Jun. 1, 2006 – May 31, 2007)

Yen in thousands

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earrings			
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2006	1,101,360	1,032,360	1,032,360	2,600	685,571	688,171	(163,811)	2,658,081
Changes in the fiscal year								
New stock issue	1,351	1,351	1,351					2,703
Dividend of surplus					(31,412)	(31,412)		(31,412)
Net income					15,193	15,193		15,193
Acquisition of treasury stock							(271,439)	(271,439)
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	1,351	1,351	1,351	-	(16,218)	(16,218)	(271,439)	(284,954)
Balance as of May 31, 2007	1,102,711	1,033,711	1,033,711	2,600	669,353	671,953	(435,250)	2,373,127

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	(1,712)	(1,712)	2,656,368
Changes in the fiscal year			
New stock issue			2,703
Dividend of surplus			(31,412)
Net income			15,193
Acquisition of treasury stock			(271,439)
Changes (net) in items other than shareholders' equity	2,247	2,247	2,247
Total changes in the fiscal year	2,247	2,247	(282,706)
Balance as of May 31, 2007	535	535	2,373,662

Basis for the Preparation of the Non-consolidated Financial Statements

Period / Items	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
1. Valuation criteria and methods for principle assets	(1) Inventories 1) Manufactured goods and work in process Manufactured goods and work in process are stated at cost, cost being determined by the specific-identification method. 2) Raw materials Raw materials are stated at cost, cost being determined by the monthly-period-average method. (2) Securities 1) Subsidiary stocks Subsidiary stocks are stated at cost, cost being determined by the moving-average method. 2) 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: Other securities without market quotations are stated at cost, cost being determined by the moving-average method. (3) Derivatives Market value method.	(1) Inventories 1) Manufactured goods and work in process Same as on the left. 2) Raw materials Same as on the left. (2) Securities 1) Subsidiary stocks Same as on the left. 2) Other securities Other securities with market quotations: Same as on the left. Other securities without market quotations: Same as on the left. (3) Derivatives Same as on the left.	(1) Inventories 1) Manufactured goods and work in process Same as on the left. 2) Raw materials Same as on the left. (2) Securities 1) Subsidiary stocks Same as on the left. 2) Other securities Other securities with market quotations: Other securities with market quotations are stated at fair value on the balance sheet date for the 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.
2. Depreciation method for fixed 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.	(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. Tangible fixed assets acquired before March 31, 2007 is calculated by the former declining balance method and the former straight-line method as stipulated in the Corporation Tax Law.	(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. Tangible fixed assets acquired before March 31, 2007 is calculated by the former declining balance method and the former straight-line method as stipulated in the Corporation Tax Law.

Items / Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
		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.	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. (Change in accounting policies) In accordance with the revision to the Corporation Tax Law, depreciation of tangible fixed assets acquired on and after April 1, 2007 is calculated based on the revised standard from the current fiscal year. The effect of this change on profit or loss for the current fiscal year is insignificant.
	(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.	(2) Intangible assets Same as on the left.	(2) Intangible assets Same as on the left.
3. Recognition of 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.	(1) Allowance for doubtful accounts Same as on the left.	(1) Allowance for doubtful accounts Same as on the left.
	(2) Reserve for bonuses To provide for employees' bonus obligations, an amount accrued for the current period is designated in the reserve account.	(2) Reserve for bonuses Same as on the left.	―――――
	(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.	(3) Reserve for product warranty Same as on the left.	(2) Reserve for product warranty Same as on the left.

Items / Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
	(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.	(4) Reserve for retirement benefits 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 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.	Same as on the left.	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	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.	Same as on the left.	Same as on the left.
6. Hedge accounting	(1) Hedge accounting method Interest rate swaps that accounted by the short-cut method since they meet certain criteria.	(1) Hedge accounting method Same as on the left.	(1) Hedge accounting method Same as on the left.
	(2) Hedging instrument and risk hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings	(2) Hedging instrument and risk hedged Same as on the left.	(2) Hedging instrument and risk hedged Same as on the left.
	(3) Hedging policy To reduce exposure to risks from fluctuations in interest rates on borrowings. Identification of the risk hedged is carried out for each hedge transaction.	(3) Hedging policy Same as on the left.	(3) Hedging policy Same as on the left.

Items \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
	(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. Other significant accounting policies	(1) Accounting for consumption taxes Consumption taxes are accounted using the net-of-tax method.	(1) Accounting for consumption taxes Same as on the left.	(1) Accounting for consumption taxes Same as on the left.

Change in Basis for the Presentation of the Non-consolidated Financial Statements

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
―――	―――	(Accounting for deferred assets) Effective from the current fiscal year, the Company has adopted “Tentative Solution Accounting for Deferred Assets” (Accounting Standards Board of Japan, August 11, 2006). The effect of this change on profit or loss is insignificant.

Reclassifications

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007
(Balance sheets) “Buildings” presented as a component of “Other tangible fixed assets” under tangible fixed assets in prior periods, is reclassified and presented as a separate item effective from the current period since the amount exceeded 5/100th of total assets. “Buildings” totaled 203,848 thousand yen as of the end of the previous period. “Current portion of corporate bonds,” presented as a component of “Other current liabilities” under current liabilities in prior periods, is reclassified and presented as a 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 64,000 thousand yen as of the end of the previous period.	(Balance sheets) “Current portion of corporate bonds,” presented as a separate item in prior periods, is reclassified and presented as a component of “Other current liabilities” under current liabilities effective from the current period since the amount less 5/100th of total liabilities and net assets. “Current portion of corporate bonds” totaled 80,000 thousand yen as of the end of the current period.

(4) Notes to Non-consolidated Financial Statements

Notes to Balance Sheets

Yen in thousands

<table>
<tr><th>FY5/07 1st Qtr.
As of Aug. 31, 2006</th><th>FY5/08 1st Qtr.
As of Aug. 31, 2007</th><th>FY5/07
As of May 31, 2007</th></tr>
<tr><td>*1. Accumulated depreciation of tangible fixed assets
168,924</td><td>*1. Accumulated depreciation of tangible fixed assets
228,750</td><td>*1. Accumulated depreciation of tangible fixed assets
214,022</td></tr>
<tr><td>*2. Pledged assets and liabilities related to pledged assets
Pledged assets
Buildings 114,609
Land 100,982
Total 215,592

Liabilities related to pledged assets
Short-term borrowings 130,008
Long-term borrowings 313,314
Total 443,322

However, the maximum coverage by the liabilities related to pledged assets through Neteitou comprehensive mortgage is 100,000 thousand yen.</td><td>*2. ―――――</td><td>*2. ―――――</td></tr>
<tr><td>3. Contingent liabilities
The Company had contingent liabilities from guarantees of bank borrowings made by following affiliate.
Yen in thousands
<table><tr><th>Affiliate</th><th>Amount</th><th>Description</th></tr><tr><td>BIJ Corporation</td><td>170,000</td><td>Borrowings</td></tr></table></td><td>3. Contingent liabilities
The Company had contingent liabilities from guarantees of bank borrowings made by following affiliate.
Yen in thousands
<table><tr><th>Affiliate</th><th>Amount</th><th>Description</th></tr><tr><td>BIJ Corporation</td><td>130,000</td><td>Borrowings</td></tr></table></td><td>3. Contingent liabilities
The Company had contingent liabilities from guarantees of bank borrowings made by following affiliate.
Yen in thousands
<table><tr><th>Affiliate</th><th>Amount</th><th>Description</th></tr><tr><td>BIJ Corporation</td><td>140,000</td><td>Borrowings</td></tr></table></td></tr>
<tr><td>4. ―――――</td><td>4. ―――――</td><td>4. Discounted export notes
67,894</td></tr>
<tr><td>*5. Accounting for consumption taxes
Consumption tax and local consumption tax are accounted using the net-of-tax method, and are included in “Other current liabilities” after being offset by suspense payment and suspense receipt of consumption taxes.</td><td>*5. Accounting for consumption taxes
Same as on the left.</td><td>*5. ―――――</td></tr>
</table>

Notes to Income Statement

Yen in thousands

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006		FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007		FY5/07 Jun. 1, 2006 – May 31, 2007	
*1. Significant components of non-operating income		*1. Significant components of non-operating income		*1. Significant components of non-operating income	
Interest income	889	Interest income	1,676	Interest income	3,472
Foreign exchange gain	13,055	Rent for rental assets	3,908	Foreign exchange gain	25,394
Rent for rental assets	3,423			Rent for rental assets	14,665
*2. Significant components of non-operating expenses		*2. Significant components of non-operating expenses		*2. Significant components of non-operating expenses	
Interest expenses	4,220	Interest expenses	4,226	Interest expenses	17,029
Charges for rental assets	2,292	Foreign exchange loss	9,912	Charges for rental assets	9,376
Loss on disposal of raw materials	4,406	Charges for rental assets	1,972	Loss on disposal of raw materials	4,406
3. Depreciation and amortization		3. Depreciation and amortization		3. Depreciation and amortization	
Tangible fixed assets	18,412	Tangible fixed assets	17,274	Tangible fixed assets	77,854
Intangible assets	1,224	Intangible assets	2,108	Intangible assets	5,217

Notes to Statement of Changes in Shareholders' Equity

FY5/07 1st Qtr. (Jun. 1, 2006 – Aug. 31, 2006)

Type and number of treasury stock

	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 Aug. 31, 2006 (Shares)
Common shares	1,000	-	-	1,000
Total	1,000	-	-	1,000

FY5/08 1st Qtr. (Jun. 1, 2007 – Aug. 31, 2007)

Type and number of treasury stock

	Number of shares as of May 31, 2007 (Shares)	Increase during the current period (Shares)	Decrease during the current period (Shares)	Number of shares as of Aug. 31, 2007 (Shares)
Common shares	3,000	-	-	3,000
Total	3,000	-	-	3,000

FY5/07 (Jun. 1, 2006 – May 31, 2007)

Type and number of treasury stock

	Number of shares as of May 31, 2006 (Shares)	Increase during the current fiscal year (Shares)	Decrease during the current fiscal year (Shares)	Number of shares as of May 31, 2007 (Shares)
Common shares (Note)	1,000	2,000	-	3,000
Total	1,000	2,000	-	3,000

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

Leases

Yen in thousands

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Finance lease transactions not involving the transfer of title to lessee: 1. Acquisition cost, accumulated depreciation and period-end balance equivalents *Tools, furniture & fixtures* Acquisition cost equivalents: 4,422 Accumulated depreciation equivalents: 2,432 Period-end balance equivalents: 1,989 *Software* Acquisition cost equivalents: 3,806 Accumulated depreciation equivalents: 2,791 Period-end balance equivalents: 1,015 *Total* Acquisition cost equivalents: 8,228 Accumulated depreciation equivalents: 5,223 Period-end balance equivalents: 3,005 2. Minimum lease commitments and the period-end balance equivalents Due within one year 1,766 Due over one year 1,472 Total 3,238 3. Lease payments, depreciation equivalents and interest equivalents Lease payments 469 Depreciation equivalents 411 Interest equivalents 42 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. 5. Calculation of interest equivalents Interest equivalents are defined as the difference between the total lease charges and acquisition cost equivalents and are allocated for each period using the simple-interest method.	Finance lease transactions not involving the transfer of title to lessee: 1. Acquisition cost, accumulated depreciation and period-end balance equivalents *Tools, furniture & fixtures* Acquisition cost equivalents: 2,777 Accumulated depreciation equivalents: 2,083 Period-end balance equivalents: 694 *Software* Acquisition cost equivalents: 3,806 Accumulated depreciation equivalents: 3,552 Period-end balance equivalents: 253 *Total* Acquisition cost equivalents: 6,584 Accumulated depreciation equivalents: 5,636 Period-end balance equivalents: 948 2. Minimum lease commitments and the period-end balance equivalents Due within one year 888 Due over one year 149 Total 1,037 3. Lease payments, depreciation equivalents and interest equivalents Lease payments 380 Depreciation equivalents 329 Interest equivalents 15 4. Calculation of accumulated depreciation equivalents Same as on the left. 5. Calculation of interest equivalents Same as on the left.	Finance lease transactions not involving the transfer of title to lessee: 1. Acquisition cost, accumulated depreciation and year-end balance equivalents *Tools, furniture & fixtures* Acquisition cost equivalents: 4,422 Accumulated depreciation equivalents: 3,095 Year-end balance equivalents: 1,326 *Software* Acquisition cost equivalents: 3,806 Accumulated depreciation equivalents: 3,362 Year-end balance equivalents: 444 *Total* Acquisition cost equivalents: 8,228 Accumulated depreciation equivalents: 6,458 Year-end balance equivalents: 1,770 2. Minimum lease commitments and the year-end balance equivalents Due within one year 1,449 Due over one year 473 Total 1,922 3. Lease payments, depreciation equivalents and interest equivalents Lease payments 1,877 Depreciation equivalents 1,645 Interest equivalents 135 4. Calculation of accumulated depreciation equivalents Same as on the left. 5. Calculation of interest equivalents Same as on the left.

Securities

FY5/07 1st Qtr. (As of Aug. 31, 2006)

There is no subsidiary and affiliate stock with market quotations for the current period.

FY5/08 1st Qtr. (As of Aug. 31, 2007)

There is no subsidiary and affiliate stock with market quotations for the current period.

FY5/07 (As of May 31, 2007)

There is no subsidiary and affiliate stock with market quotations for the current fiscal year.

Per Share Data

Yen

Item \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Net assets per share	43,232.11	37,675.18	39,014.19
Net income (loss) per share (basic)	1,407.18	(813.84)	245.46
Net income per share (diluted)	1,406.28	Net income per share (diluted) is not presented since the Company has posted net loss and no outstanding dilutive securities.	Net income per share (diluted) is not presented since the Company has outstanding dilutive securities, though posted a net loss.

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

Yen in thousands

Item \ Period	FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Net income (loss)	88,404	(49,514)	15,193
Amount not available to common shareholders	-	-	-
Net income (loss) applicable to common stock	88,404	(49,514)	15,193
Average number of common stock outstanding during period	62,824 shares	60,841	61,900
Increase in the number of common stock outstanding	40 shares	-	-
[of which stock acquisition rights]	[40]	[-]	[-]
Summary of potential stock not included in the calculation of “net income per share (diluted)” since there was no dilutive effect.	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 116 stock options. (232 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 493 stock options. (493 common shares)	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 69 stock options. (138 common shares) The annual general meeting of shareholders on August 26, 2004 approved a resolution authorizing the Company to issue 235 stock options. (235 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 335 stock options. (335 common shares)	The annual general meeting of shareholders on August 28, 2003 approved a resolution authorizing the Company to issue 69 stock options. (138 common shares) The annual general meeting of shareholders on August 26, 2004 approved a resolution authorizing the Company to issue 235 stock options. (235 common shares) The annual general meeting of shareholders on August 24, 2005 approved a resolution authorizing the Company to issue 335 stock options. (335 common shares)

Subsequent Events

FY5/07 1st Qtr. Jun. 1, 2006 – Aug. 31, 2006	FY5/08 1st Qtr. Jun. 1, 2007 – Aug. 31, 2007	FY5/07 Jun. 1, 2006 – May 31, 2007
Acquisition of treasury stock The INTER ACTION Board of Directors on October 13, 2006 approved a stock repurchase program in accordance with the Article of Incorporation pursuant to Article 165-2 of the Company Act, with details as follows: (1) Rationale The stock repurchase program will enable INTER ACTION to adopt timely and flexible financial strategies in response to changes in the operating environment. (2) Schedule From October 16, 2006 to January 15, 2007 (3) Method Purchase on the Mothers Market of the Tokyo Stock Exchange in accordance with its rules and regulations. (4) Type and number of stock authorized for repurchase Common stock Up to 1,000 shares (5) Total value of stocks authorized for repurchase Up to 200 million yen	――――	――――

** 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.*