April 10, 2009

# Financial Summaries for the First Nine Months of the Fiscal Year Ending May 31, 2009

**(June 1, 2008 – February 28, 2009)**

Company name: **INTER ACTION Corporation** Stock exchange listing: TSE Mothers Market
Stock code: 7725 URL: http://www.inter-action.co.jp
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Scheduled date of filing of Quarterly Report: April 13, 2009
Starting date of dividend payment: -

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

### 1. Consolidated Financial Results for the Nine Months Ended February 28, 2009 (Jun. 1, 2008 – Feb. 28, 2009)

(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 | % |
| Nine months ended Feb. 2009 | 657 | - | (240) | - | (278) | - | (189) | - |
| Nine months ended Feb. 2008 | 1,189 | (10.4) | (211) | - | (262) | - | (197) | - |

| | Net income per share | Net income per share (diluted) |
|---|---|---|
| | Yen | Yen |
| Nine months ended Feb. 2009 | (3,137.07) | - |
| Nine months ended Feb. 2008 | (3,249.20) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Feb. 28, 2009 | 3,271 | 1,831 | 56.0 | 30,478.99 |
| As of May 31, 2008 | 4,091 | 2,033 | 49.7 | 33,423.43 |

Reference: Shareholders' equity Feb. 2009: 1,831 million yen May 2008: 2,033 million yen

### 2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| Record date | 1Q-end | 2Q-end | 3Q-end | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended May 2008 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending May 2009 | - | 0.00 | - | | |
| Fiscal year ending May 2009 (forecast) | | | | 0.00 | 0.00 |

Note: Revision of dividend forecast during the period: None

### 3. Consolidated Forecast for the Fiscal Year Ending May 31, 2009 (Jun. 1, 2008 – May 31, 2009)

(Percentages represent year-on-year changes)

| | Sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 802 | (53.5) | (301) | - | (389) | - | (256) | - | (4,260.63) |

Note: Revision of consolidated forecast during the period: None

**4. Others**

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

Newly added: - Excluded: -

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 5 for further information.

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock)

| | | | |
|---|---|---|---|
| Feb. 2009: | 63,841 shares | May 2008: | 63,841 shares |

2) Number of treasury stock at the end of period

| | | | |
|---|---|---|---|
| Feb. 2009: | 3,756 shares | May 2008: | 3,000 shares |

3) Average number of shares outstanding during the period

| | | | |
|---|---|---|---|
| Nine months ended Feb. 2009: | 60,503 shares | Nine months ended Feb. 2008: | 60,841 shares |

* Cautionary statement with respect to forward-looking statements

1. The aforementioned forecasts are based on assumptions regarding economic and market trends at the time this presentation was prepared. Actual results may differ from these forecasts for a number of factors.
2. Application of accounting policies in the preparation of quarterly consolidated financial statements

   Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

## Qualitative Information and Financial Statements

### 1. Qualitative information regarding consolidated operational results

In the first three quarters of the fiscal year, Japan's economy declined sharply as global financial instability that started in the second half of 2008 had an impact on the real economy. Prospects for an economic recovery are uncertain. As a result, an increasing number of semiconductor manufacturers are reducing or canceling capital expenditures. This is creating an even more challenging environment for sales of illuminators for testing CCD/C-MOS imagers, which is the Group's core product.

In the first quarter, sales of CCD/C-MOS imager illuminators were strong due to the resumption of purchases of these devices by companies in Korea. However, a global economic downturn began in the second quarter due to the U.S. subprime mortgage crisis. The resulting decline in demand has held down sales since the second quarter.

To succeed in this extremely difficult operating environment, the Group has started taking aggressive actions to expand operations. The Group is targeting opportunities in the solar cell industry, which is growing rapidly worldwide. In February 2009, the decision was made to start operations in Xi'an, China. The purpose is to extend to other countries the Group's solar cell manufacturing and inspection technology operations, a business where INTER ACTION already has a competitive edge in Japan. Furthermore, plans call for starting a maintenance services business that targets the installed base of INTER ACTION illuminators, which is larger than at any other supplier of illuminators.

To overcome the challenges posed by this difficult operating environment, the Group took further actions to streamline operations. The Group reduced remuneration for directors, lowered salaries for employees with annual compensation agreements, eliminated the Special Product Department, closed the Kumamoto site and Kyoto sales offices, decided to reduce the number of employees, and took other actions to lower fixed expenses.

In the first three quarters, consolidated sales totaled 657 million yen, a decrease of 532 million yen from sales of 1,189 million yen one year earlier. Gross profit was down 234 million yen from 464 million yen to 229 million yen. After selling, general and administrative expenses of 470 million yen, down 205 million yen from 675 million yen one year earlier, there was an operating loss of 240 million yen, 28 million yen more than the 211 million yen loss one year earlier. There was an ordinary loss of 278 million yen, 15 million yen more than the 262 million yen loss one year earlier, and a net loss of 189 million yen, 7 million yen less than the 197 million yen loss one year earlier.

Sales by product category were as follows.

(Electronics testing equipment business)

The operating environment in this business is challenging because semiconductor manufacturing companies have been holding down capital expenditures as many of these companies report lower sales and earnings because of the sharp global economic downturn. In response, the Group has been working on launching new businesses. Although sales of inspection equipment to manufacturers of solar panels reached the initial target, total sales in this business were impacted by sluggish demand for the Group's major products, chiefly illuminators. Sales were brisk in the first quarter as Korean companies resumed purchases of illuminators. However, demand decreased afterward along with global economic weakness originating with the U.S. subprime mortgage problem.

Due to these factors, segment sales to external customers totaled 610 million yen.

(Security systems business)

In the security systems business, the Company has performed research for other companies and sold security products that incorporate image processing technology. Segment sales to external customers totaled 47 million yen.

**2. Qualitative information regarding consolidated financial position**

Total assets decreased 819 million yen over the end of the previous fiscal year to 3,271 million yen at the end of the third quarter of the current fiscal year.
Current assets decreased 979 million yen to 2,117 million yen mainly because of a decline in cash and deposits in banks. Fixed assets increased 159 million yen to 1,154 million yen.

Total liabilities decreased 617 million yen to 1,440 million yen.
Current liabilities increased 22 million yen to 886 million yen. Long-term liabilities decreased 640 million yen to 554 million yen mainly because of a decline in corporate bonds.

Net assets decreased 202 million yen to 1,831 million yen.

Cash flow position

Cash and cash equivalents totaled 799 million yen at the end of the third quarter of the current fiscal year, 1,089 million yen less than at the end of the previous fiscal year.

A summary of cash flows is as follows.

Operating activities
Net cash used in operating activities was 258 million yen. This was the net result of a depreciation and amortization of 83 million yen, a net loss before income taxes of 266 million yen, and a decline of 87 million yen in trade payables.

Investing activities
Net cash used in investing activities was 440 million yen. There were the payment of 301 million yen for term deposits and the payment of 114 million yen for acquisition of investment securities.

Financing activities
Net cash used in financing activities was 394 million yen. There were payments of 329 million yen from long-term borrowings, and 80 million yen for redemption of corporate bonds.

**3. Qualitative information regarding consolidated forecast**

The Group's operating environment is expected to remain challenging due to the global recession mainly because of a decline in capital expenditures in the semiconductor industry, the primary source of demand for the Group's products. Based on this outlook, the Group revised its forecast on January 9, 2009.

Since this forecast revision, the Group has taken further actions to streamline operations in order to overcome the challenges created by the difficult market conditions. In January 2009, the Group reduced remuneration for directors, lowered salaries for employees with annual compensation agreements, eliminated the Special Product Department, closed the Kumamoto site and Kyoto sales offices, decided to reduce the number of employees in conjunction with these measures, and took other actions to lower fixed expenses.

Even at this challenging time, the Group is targeting opportunities in the solar cell industry, which is growing rapidly worldwide. In February 2009, the Group decided to start operations in Xi'an, China. The purpose is to extend to other countries its solar cell manufacturing and inspection technology operations, a business where the Group already has a competitive edge in Japan. Furthermore, the Group has started aggressive measures to expand operations associated with illuminators for testing CCD/C-MOS imagers. In particular, plans call for starting a maintenance services business that targets the installed base of INTER ACTION illuminators, which is larger than at any other supplier of illuminators. The Group plans to take even more aggressive actions in order to achieve an improvement in its performance.

At this time, there is no need to revise the current forecast because sales and earnings are generally as planned. Consequently, there are no changes to the forecast for the current fiscal year that was announced on January 9, 2009: consolidated sales of 802 million yen, operating loss of 301 million yen, ordinary loss of 389 million yen, and net loss of 256 million yen.

## 4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

No reportable information.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

No reportable information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

(Changes in accounting policies)

1) Application of accounting policies in the preparation of quarterly consolidated financial statements

Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

2) Changes in valuation criteria and methods for principal assets

Inventories

In prior years, inventories for regular sales purposes was computed primarily by the specific-identification cost method for manufactured goods and work in process, and the monthly-period-average cost method for raw materials. With the adoption of "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9: July 5, 2006) from the first quarter of the current fiscal year, manufactured goods and work in process are valued primarily by the specific-identification cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins) and raw materials are valued by the monthly-period-average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). The effect of this change was to decrease operating income and ordinary income by 4,177 thousand yen each and net income before income taxes by 13,010 thousand yen.

(Supplementary information)

INTER ACTION has used the fiscal 2008 revision of Corporation Tax Law to revise the useful life of tangible fixed assets for accounting purposes. Effective from the first quarter of the current fiscal year, the useful life of some machinery and equipment has been changed.

The effect of this change on profit or loss is insignificant.

## 5. Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

*Yen in thousands*

| | FY5/09 3rd Qtr. (As of Feb. 28, 2009) | FY5/08 Summary (As of May 31, 2008) |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and deposits in banks | 1,127,323 | 1,944,820 |
| Trade notes and accounts receivable | 182,271 | 293,269 |
| Securities | 24,128 | 30,564 |
| Manufactured goods | 120,736 | 116,762 |
| Raw materials | 308,555 | 316,328 |
| Work in process | 248,642 | 316,344 |
| Other current assets | 106,074 | 78,695 |
| Total current assets | 2,117,731 | 3,096,785 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 314,712 | 332,852 |
| Other tangible fixed assets, net | 269,942 | 309,913 |
| Total tangible fixed assets | 584,654 | 642,765 |
| Intangible assets | | |
| Other intangible assets | 51,814 | 47,179 |
| Total intangible assets | 51,814 | 47,179 |
| Investments and other assets | | |
| Other investments and other assets | 534,140 | 304,994 |
| Allowance for doubtful accounts | (16,440) | - |
| Total investments and other assets | 517,699 | 304,994 |
| Total fixed assets | 1,154,169 | 994,939 |
| Total assets | 3,271,901 | 4,091,725 |
| **Liabilities** | | |
| Current liabilities | | |
| Trade accounts payable | 6,556 | 94,011 |
| Short-term borrowings | 4,300 | 25,000 |
| Current portion of corporate bonds | 380,000 | 80,000 |
| Current portion of long-term borrowings | 414,551 | 434,812 |
| Accrued income taxes | 3,137 | 2,131 |
| Reserve for bonuses | 8,827 | - |
| Reserve for product warranty | 8,337 | 23,076 |
| Other current liabilities | 60,592 | 204,490 |
| Total current liabilities | 886,302 | 863,522 |
| Long-term liabilities | | |
| Corporate bonds | 170,000 | 550,000 |
| Long-term borrowings | 378,604 | 638,082 |
| Reserve for retirement benefits | 5,614 | 6,556 |
| Other long-term liabilities | 50 | 50 |
| Total long-term liabilities | 554,268 | 1,194,688 |
| Total liabilities | 1,440,570 | 2,058,210 |

*Yen in thousands*

| | FY5/09 3rd Qtr. (As of Feb. 28, 2009) | FY5/08 Summary (As of May 31, 2008) |
|---|---|---|
| **Net assets** | | |
| Shareholders' equity | | |
| Common stock | 1,102,711 | 1,102,711 |
| Capital surplus | 1,033,711 | 1,033,711 |
| Retained earnings | 147,889 | 337,691 |
| Treasury stock | (448,798) | (435,250) |
| Total shareholders' equity | 1,835,515 | 2,038,865 |
| Valuation and translation adjustments | | |
| Unrealized holding gain (loss) on other securities | (4,184) | (5,350) |
| Total valuation and translation adjustments | (4,184) | (5,350) |
| Total net assets | 1,831,330 | 2,033,514 |
| Total liabilities and net assets | 3,271,901 | 4,091,725 |

### (2) Consolidated Income Statement

### (For the Nine-month Period)

*Yen in thousands*

| | FY5/09 1st – 3rd Qtr. (Jun. 1, 2008 – Feb. 28, 2009) |
|---|---|
| Sales | 657,733 |
| Cost of sales | 427,852 |
| Gross profit | 229,881 |
| Selling, general and administrative expenses | 470,234 |
| Operating loss | (240,353) |
| Non-operating income | |
| Interest income | 4,120 |
| Dividends income | 0 |
| Rent income on fixed assets | 9,889 |
| Others | 3,154 |
| Total non-operating income | 17,164 |
| Non-operating expenses | |
| Interest expenses | 19,488 |
| Foreign exchange loss | 24,696 |
| Others | 11,333 |
| Total non-operating expenses | 55,518 |
| Ordinary loss | (278,707) |
| Extraordinary income | |
| Reversal of reserve for product warranty | 18,093 |
| Gain on sale of manufacturing rights | 30,437 |
| Total extraordinary income | 48,530 |
| Extraordinary loss | |
| Loss on disposal of fixed assets | 3,003 |
| Loss on valuation of inventories | 8,832 |
| Special extra retirement payments | 18,851 |
| Loss on sale of investment securities | 1,048 |
| Loss on valuation of investment securities | 4,434 |
| Total extraordinary loss | 36,170 |
| Net loss before income taxes | (266,348) |
| Income taxes - current | 3,366 |
| Income taxes - deferred | (79,912) |
| Total income taxes | (76,546) |
| Net loss | (189,802) |

**(For the Three-month Period)**

| | *Yen in thousands* |
|---|---|
| | FY5/09 3rd Qtr. (Dec. 1, 2008 – Feb. 28, 2009) |
| Sales | 94,514 |
| Cost of sales | 79,243 |
| Gross profit | 15,270 |
| Selling, general and administrative expenses | 136,788 |
| Operating loss | (121,517) |
| Non-operating income | |
| Interest income | 1,141 |
| Foreign exchange gain | 7,935 |
| Rent income on fixed assets | 3,031 |
| Others | 218 |
| Total non-operating income | 12,326 |
| Non-operating expenses | |
| Interest expenses | 5,913 |
| Others | 1,717 |
| Total non-operating expenses | 7,631 |
| Ordinary loss | (116,821) |
| Extraordinary income | |
| Reversal of reserve for product warranty | 7,574 |
| Others | 250 |
| Total extraordinary income | 7,825 |
| Extraordinary loss | |
| Loss on disposal of fixed assets | 282 |
| Special extra retirement payments | 18,851 |
| Total extraordinary loss | 19,133 |
| Net loss before income taxes | (128,130) |
| Income taxes - current | 1,113 |
| Income taxes - deferred | (42,394) |
| Total income taxes | (41,280) |
| Net loss | (86,849) |

### (3) Consolidated Cash Flow Statement

*Yen in thousands*

| | FY5/09 1st – 3rd Qtr. (Jun. 1, 2008 – Feb. 28, 2009) |
|---|---|
| Cash flows from operating activities | |
| Net loss before income taxes | (266,348) |
| Depreciation and amortization | 83,609 |
| Increase (decrease) in allowance for doubtful accounts | 16,440 |
| Increase (decrease) in reserve for retirement benefits | (942) |
| Interest and dividend income | (4,121) |
| Increase (decrease) in reserve for product warranty | (14,739) |
| Interest expenses and guarantee fees | 20,551 |
| Foreign exchange loss (gain) | 20,701 |
| Loss on disposal of tangible fixed assets | 3,003 |
| Loss on valuation of inventories | 13,010 |
| Loss (gain) on valuation of investment securities | 4,434 |
| Decrease (increase) in trade receivables | 78,117 |
| Decrease (increase) in inventories | 58,791 |
| Increase (decrease) in trade payables | (87,455) |
| Others | (162,262) |
| Subtotal | (237,208) |
| Interests and dividends received | 2,792 |
| Interests and guarantee fees paid | (24,788) |
| Income taxes refund | 534 |
| Net cash used in operating activities | (258,669) |
| Cash flows from investing activities | |
| Payment for term deposits | (301,902) |
| Withdrawal of term deposits | 30,125 |
| Payment for acquisition of tangible fixed assets | (15,351) |
| Payment for acquisition of intangible assets | (14,909) |
| Payment for acquisition of investment securities | (114,343) |
| Proceeds from sale of investment securities | 1,613 |
| Payment for deposits | (13,314) |
| Proceeds from collection of deposits | 11,611 |
| Payment for loans receivable | (24,000) |
| Others | 318 |
| Net cash used in investing activities | (440,152) |
| Cash flows from financing activities | |
| Proceeds from short-term borrowings | 100,000 |
| Repayment of short-term borrowings | (120,700) |
| Proceeds from long-term borrowings | 50,000 |
| Repayment of long-term borrowings | (329,739) |
| Payment for redemption of corporate bonds | (80,000) |
| Payment for acquisition of treasury stock | (13,548) |
| Cash dividends paid | (606) |
| Others | (374) |
| Net cash used in financing activities | (394,968) |
| Effect of exchange rate changes on cash and cash equivalents | 4,515 |
| Increase (decrease) in cash and cash equivalents | (1,089,274) |
| Cash and cash equivalents at beginning of period | 1,888,446 |
| Cash and cash equivalents at end of period | 799,171 |

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

### (4) Going Concern Assumption

No reportable information.

### (5) Segment Information

Operating segment information

FY5/09 1st – 3rd Qtr. (Jun. 1, 2008 – Feb. 28, 2009) *Yen in thousands*

| | Electronics testing equipment | Security systems | Total | Elimination or corporate | Consolidation |
|---|---|---|---|---|---|
| Sales | | | | | |
| (1) External sales | 610,112 | 47,620 | 657,733 | - | 657,733 |
| (2) Inter-segment sales and transfers | 2,400 | 1,525 | 3,925 | ( 3,925) | - |
| Total | 612,512 | 49,145 | 661,658 | ( 3,925) | 657,733 |
| Operating income (loss) | 103,233 | (39,559) | 63,674 | ( 304,028) | (240,353) |

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. Change in accounting principles applied

(Accounting standard for measurement of inventories)

As discussed in the section “Change in Basis for the Presentation of the Consolidated Financial Statements, (1),” the Company has adopted “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: July 5, 2006) from the first quarter of the current fiscal year. The effect of this change was to decrease operating income of the electronics testing equipment business by 4,177 thousand yen in the first nine months of the current fiscal year.

Geographical segment information

FY5/09 1st – 3rd Qtr. (Jun. 1, 2008 – Feb. 28, 2009)

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

Overseas sales

FY5/09 1st – 3rd Qtr. (Jun. 1, 2008 – Feb. 28, 2009) *Yen in thousands*

| | Asia | North America | Europe | Total |
|---|---|---|---|---|
| I Overseas sales | 91,994 | 1,318 | 29,159 | 122,473 |
| II Consolidated sales | - | - | - | 657,733 |
| III Share of overseas sales in total consolidated sales | 14.0% | 0.2% | 4.4% | 18.6% |

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: Taiwan, South Korea, Singapore, China

(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.

**(6) Significant Changes in Shareholders' Equity**

No reportable information.

**Reference Material**

**Financial Statements, etc. of the Same Period Previous Fiscal Year**

**(1) Consolidated Income Statement**

FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008)

*Yen in thousands*

| | FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008) | | |
|---|---|---|---|
| Account | Amount | | % |
| I Sales | | 1,189,898 | 100.0 |
| II Cost of sales | | 725,621 | 61.0 |
| Gross profit | | 464,276 | 39.0 |
| III Selling, general and administrative expenses | | 675,811 | 56.8 |
| Operating loss | | (211,534) | (17.8) |
| IV Non-operating income | | | |
| 1. Interest income | 5,031 | | |
| 2. Dividend income | 0 | | |
| 3. Rent for rental assets | 11,218 | | |
| 4. Others | 2,800 | 19,051 | 1.6 |
| V Non-operating expenses | | | |
| 1. Interest expenses | 20,798 | | |
| 2. Corporate bond issue expenses | 1,559 | | |
| 3. Foreign exchange loss | 31,524 | | |
| 4. Charges for rental assets | 5,899 | | |
| 5. Others | 10,592 | 70,374 | 5.9 |
| Ordinary loss | | (262,857) | (22.1) |
| VI Extraordinary income | | | |
| 1. Reversal of reserve for product warranty | 7,447 | | |
| 2. Others | 70 | 7,518 | 0.6 |
| VII Extraordinary loss | | | |
| 1. Loss on sales of fixed assets | 5,656 | | |
| 2. Loss on disposal of fixed assets | 311 | 5,968 | 0.5 |
| Net loss before income taxes | | (261,307) | (22.0) |
| Income taxes – current | 3,385 | | |
| Income taxes – deferred | (67,008) | (63,623) | (5.4) |
| Net loss | | (197,684) | (16.6) |

### (2) Consolidated Cash Flow Statement

FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008)

*Yen in thousands*

| | FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008) |
|---|---|
| Account | Amount |
| I Cash flows from operating activities | |
| 1. Net loss before income taxes | (261,307) |
| 2. Depreciation and amortization | 79,030 |
| 3. Decrease in allowance for doubtful accounts | (70) |
| 4. Increase in reserve for product warranty | 6,271 |
| 5. Increase in reserve for retirement benefits | 893 |
| 6. Interest and dividend income | (5,032) |
| 7. Interest expenses and guarantee fees | 21,829 |
| 8. Corporate bond issue expenses | 1,559 |
| 9. Loss on cancellation of insurance | 2,587 |
| 10. Foreign exchange loss | 27,510 |
| 11. Loss on sale of tangible fixed assets | 5,656 |
| 12. Loss on disposal of tangible fixed assets | 311 |
| 13. Increase in trade receivables | (40,550) |
| 14. Increase in inventories | (150,266) |
| 15. Decrease in trade payables | (28,376) |
| 16. Increase (decrease) in other assets and liabilities | (43,447) |
| Subtotal | (383,402) |
| 17. Interests and dividends received | 3,972 |
| 18. Interests and guarantee fees paid | (24,060) |
| 19. Income taxes refund | 59,888 |
| Net cash used in operating activities | (343,603) |

*Yen in thousands*

| | FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008) |
|---|---|
| Account | Amount |
| II Cash flows from investing activities | |
| 1. Payment for term deposits | (12,968) |
| 2. Withdrawal of term deposits | 11,459 |
| 3. Payment for acquisition of tangible fixed assets | (45,603) |
| 4. Proceeds from sale of tangible fixed assets | 34,417 |
| 5. Payment for acquisition of intangible assets | (13,780) |
| 6. Payment for acquisition of investment securities | (84,083) |
| 7. Proceeds from sale of investment securities | 834 |
| 8. Payment for deposits | (7,677) |
| 9. Proceeds from collection of deposits | 9,115 |
| 10. Proceeds from collection of loans | 4,050 |
| 11. Proceeds from cancellation of reserve for insurance | 11,033 |
| 12. Decrease/increase in other assets | 4,559 |
| Net cash used in investing activities | (88,643) |
| III Cash flows from financing activities | |
| 1. Proceeds from short-term borrowings | 555,000 |
| 2. Repayment of short-term borrowings | (465,000) |
| 3. Repayment of long-term borrowings | (277,509) |
| 4. Proceeds from corporate bond issuance | 98,440 |
| 5. Payment for redemption of corporate bonds | (70,000) |
| 6. Cash dividends paid | (30,700) |
| 7. Others | (288) |
| Net cash used in financing activities | (190,057) |
| IV Effect of exchange rate changes on cash and cash equivalents | (8,704) |
| V Decrease in cash and cash equivalents | (631,008) |
| VI Cash and cash equivalents at beginning of period | 1,941,963 |
| VII Cash and cash equivalents at end of period | 1,310,954 |

### (3) Segment Information

Operating segment information

FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008) *Yen in thousands*

| | Electronics testing equipment | Security systems | Total | Elimination or corporate | Consolidation |
|---|---|---|---|---|---|
| Sales | | | | | |
| (1) External sales | 976,667 | 213,231 | 1,189,898 | - | 1,189,898 |
| (2) Inter-segment sales and transfers | 14,006 | 85,310 | 99,316 | ( 99,316) | - |
| Total | 990,673 | 298,541 | 1,289,215 | ( 99,316) | 1,189,898 |
| Operating expenses | 780,632 | 375,551 | 1,156,183 | 245,249 | 1,401,433 |
| Operating income (loss) | 210,041 | (77,009) | 133,031 | ( 344,565) | (211,534) |

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 – 3rd Qtr. | Description |
|---|---|---|
| Unallocated operating expenses included in "Elimination or corporate" | 350,145 | Expenses related to the administration division at INTER ACTION Corporation's head office. |

Geographical segment information

FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008)

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

Overseas sales

FY5/08 1st – 3rd Qtr. (Jun. 1, 2007 – Feb. 29, 2008) *Yen in thousands*

| | Asia | North America | Europe | Total |
|---|---|---|---|---|
| I Overseas sales | 93,450 | 13,725 | 2,766 | 109,942 |
| II Consolidated sales | - | - | - | 1,189,898 |
| III Share of overseas sales in total consolidated sales | 7.9% | 1.1% | 0.2% | 9.2% |

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, South Korea, Singapore
(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.