

**Flash Report (Consolidated Basis)**

Results for fiscal year ended October 31, 2006

Company name: OHARA INC. Stock listing: Tokyo Stock Exchange (First section)

Code number: 5218

Head office: Kanagawa Prefecture, Japan

URL <http://www.ohara-inc.co.jp>

Representative: Sumimasa Yutani, President - Representative Director

Date of the meeting of the Board of Directors to settle the year-end consolidated accounts: December 21, 2006

\*All financial information stated in this report was prepared on the basis of generally accepted accounting principles in Japan.

## 1. Performance

## (1) Operating results

Years ended October 31

(Figures less than ¥1 million have been omitted.)

	Net sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006	27,761	12.3	7,552	32.6	7,821	40.8
2005	24,716	1.1	5,696	(16.8)	5,552	(14.8)

	Net income		Net income per share	Net income per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Ordinary profit-to-net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
2006	5,146	46.4	404.29	---	14.0	14.9	28.2
2005	3,514	(9.4)	348.20	---	14.0	12.7	22.5

- Equity in earnings of affiliates: Year ended October 31, 2006: ¥7 million, Year ended October 31, 2005: ¥16 million
- Average number of shares outstanding during the period: Year ended October 31, 2006: 12,724,669 shares,  
Year ended October 31, 2005: 9,815,411 shares
- Change in accounting method: Not applied
- Percentages indicate year-on-year increase/(decrease) in net sales, operating profit, ordinary profit, and net income.

## (2) Financial position

At October 31

(Figures less than ¥1 million have been omitted.)

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2006	55,742	40,308	71.5	3,132.95
2005	49,011	33,700	68.8	2,640.76

Number of shares outstanding at fiscal year-end: October 31, 2005: 12,724,508 shares, October 31, 2004: 12,724,920 shares

(3) Cash flows

Years ended October 31

(Figures less than ¥1 million have been omitted.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006	7,316	(3,594)	(3,760)	12,272
2005	5,113	(5,090)	8,238	12,180

(4) Number of subsidiaries and affiliates

Consolidated subsidiaries: 9

Non-consolidated subsidiaries: --- (accounted for by the equity method)

Affiliates: 1 (accounted for by the equity method)

(5) Additions to and deletions from consolidated subsidiaries and affiliates

Additions: Consolidated subsidiaries: ---, Affiliates: ---

Deletions: Consolidated subsidiaries: ---, Affiliates: ---

2. Forecast for fiscal year ending October 31, 2007

(Figures less than ¥1 million have been omitted.)

	Net sales	Ordinary profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim period	14,000	3,810	2,220
Fiscal year	28,000	7,380	4,550

(Reference)

Consolidated net income per share for the fiscal year is forecast to be ¥357.41

\* Note: The business forecasts presented in this report are based on information available to the management at the time of preparation, and are subject to a number of risks and uncertainties. Actual results may differ materially from those projected due to a wide range of factors.

## CONSOLIDATED BALANCE SHEETS

At October 31

	2005		2006		Change from the previous year
	Thousands of yen	%	Thousands of yen	%	Thousands of yen
<b>ASSETS</b>					
<b>I. Current assets:</b>					
1. Cash on hand and in banks	13,365,333		11,354,001		(2,011,332)
2. Notes and accounts receivable, trade	7,645,601		9,248,917		1,603,316
3. Marketable securities	19,282		1,184,962		1,165,680
4. Inventories	4,952,205		5,054,741		102,535
5. Deferred tax assets	633,873		849,288		215,415
6. Other current assets	129,411		318,746		189,334
7. Less: allowance for doubtful accounts	(29,945)		(7,314)		22,631
Total current assets	26,715,762	54.5	28,003,342	50.2	1,287,580
<b>II. Fixed assets:</b>					
<b>1. Tangible fixed assets:</b>					
(1) Buildings and structures	6,647,025		6,846,476		
Accumulated depreciation and amortization	2,912,767		3,192,703		
	3,734,257		3,653,772		(80,484)
(2) Machinery and vehicles	8,796,697		10,883,883		
Accumulated depreciation and amortization	5,618,672		6,297,504		
	3,178,024		4,586,378		1,408,354
(3) Tools, furniture, and fixtures	8,225,448		8,992,664		
Accumulated depreciation and amortization	1,032,517		1,152,564		
	7,192,930		7,840,099		647,168
(4) Land	349,578		362,459		12,880
(5) Construction-in-progress	62,727		676,427		613,699
Total tangible fixed assets	14,517,518	29.6	17,119,137	30.7	2,601,618
2. Intangible assets	73,436	0.2	59,445	0.1	(13,990)
<b>3. Investments and other assets:</b>					
(1) Investment securities	5,421,139		7,720,023		2,298,883
(2) Long-term deposit	2,000,000		2,500,000		500,000
(3) Deferred income taxes	52,924		57,182		4,258
(4) Others	231,328		283,707		52,379
(5) Less: allowance for doubtful accounts	(404)		---		404
Total investments and other assets	7,704,987	15.7	10,560,914	19.0	2,855,926
Total fixed assets	22,295,942	45.5	27,739,497	49.8	5,443,555
Total assets	49,011,704	100.0	55,742,840	100.0	6,731,135

At October 31

	2005		2006		Change from the previous year
	Thousands of yen	%	Thousands of yen	%	Thousands of yen
<b>LIABILITIES</b>					
<b>I. Current liabilities:</b>					
1. Notes and accounts payable, trade	2,358,642		3,837,302		1,478,659
2. Short-term borrowings	3,873,308		2,199,341		(1,673,967)
3. Corporate bond with a maturity of less than one year	25,000		225,000		200,000
4. Accrued income taxes	389,212		1,846,390		1,457,178
5. Deferred tax liabilities	3,497		2,398		(1,099)
6. Allowance for employees' bonuses	611,701		704,057		92,356
7. Allowance for directors' bonuses	---		109,700		109,700
8. Account payable-nontrade	634,009		467,334		(166,675)
9. Other current liabilities	570,942		481,807		(89,134)
<b>Total current liabilities</b>	<b>8,466,315</b>	<b>17.3</b>	<b>9,873,332</b>	<b>17.7</b>	<b>1,407,017</b>
<b>II. Long-term liabilities:</b>					
1. Corporate bond	375,000		150,000		(225,000)
2. Long-term debt	3,022,721		1,429,625		(1,593,096)
3. Deferred tax liabilities	1,467,740		2,398,923		931,183
4. Accrued retirement benefits for employees	1,218,695		1,187,124		(31,570)
5. Accrued retirement benefits for directors and corporate auditors	178,669		217,187		38,518
6. Allowance for special repair	46,600		77,600		31,000
7. Long-term accrued expenses	121,379		99,577		(21,801)
8. Other long-term liabilities	870		870		---
<b>Total long-term liabilities</b>	<b>6,431,675</b>	<b>13.1</b>	<b>5,560,908</b>	<b>10.0</b>	<b>(870,767)</b>
<b>Total liabilities</b>	<b>14,897,990</b>	<b>30.4</b>	<b>15,434,240</b>	<b>27.7</b>	<b>536,250</b>

	2005		2006		Change from the previous year
	Thousands of yen	%	Thousands of yen	%	Thousands of yen
<b>MINORITY INTERESTS</b>					
Minority Interests	413,148	0.8	---	---	(413,148)
<b>SHAREHOLDERS' EQUITY</b>					
I. Capital stock	5,855,000	11.9	---	---	(5,855,000)
II. Capital surplus	7,930,785	16.2	---	---	(7,930,785)
III. Earned surplus	17,871,652	36.5	---	---	(17,871,652)
IV. Net unrealized holding gain on securities	2,593,475	5.3	---	---	(2,593,475)
V. Foreign exchange adjustment	(549,969)	(1.1)	---	---	549,969
VI. Treasury stock	(379)	(0.0)	---	---	379
Total shareholders' equity	33,700,564	68.8	---	---	(33,700,564)
Total liabilities, minority interests, and shareholders' equity	49,011,704	100.0	---	---	(49,011,704)
<b>NET ASSETS</b>					
I. Shareholders' equity:					
1. Capital stock	---	---	5,855,000	10.5	5,855,000
2. Capital surplus	---	---	7,930,785	14.2	7,930,785
3. Retained earnings	---	---	22,473,987	40.3	22,473,987
4. Treasury stock, at cost	---	---	(2,662)	(0.0)	(2,662)
Total shareholders' equity	---	---	36,257,109	65.0	36,257,109
II. Valuation and translation adjustments:					
1. Net unrealized holding gain on securities	---	---	3,772,325	6.8	3,772,325
2. Foreign exchange adjustments	---	---	(162,130)	(0.3)	(162,130)
Total valuation and translation adjustments	---	---	3,610,195	6.5	3,610,195
III. Minority interests	---	---	441,294	0.8	441,294
Total net assets	---	---	40,308,599	72.3	40,308,599
Total liabilities and net assets	---	---	55,742,840	100.0	55,742,840

## CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31

	2005		2006		Change from the previous year
	Thousands of yen	%	Thousands of yen	%	Thousands of yen
I. Net sales	24,716,603	100.0	27,761,868	100.0	3,045,264
II. Cost of sales	14,750,810	59.7	15,643,434	56.3	892,624
Gross profit	9,965,793	40.3	12,118,433	43.7	2,152,640
III. Selling, general and administrative expenses	4,269,315	17.2	4,565,473	16.5	296,157
Operating income	5,696,477	23.1	7,552,960	27.2	1,856,482
IV. Non-operating income:					
1. Interest income	32,900		69,672		
2. Dividend income	54,097		82,637		
3. Rental fee	11,482		11,142		
4. Gain on revaluation of foreign currency	111,597		124,622		
5. Equity in earnings of affiliates	16,570		7,899		
6. Reversal of loss on impairment	62,329		66,616		
7. Other non-operating income	89,033		63,500		
	378,012	1.5	426,090	1.5	48,078
V. Non-operating expenses:					
1. Interest expense	225,417		93,813		
2. Issue of new stocks	104,568		---		
3. Loss on cancellation of swap	79,337		---		
4. Loss on swap	33,081		---		
5. Other non-operating expenses	79,112		64,098		
	521,517	2.1	157,911	0.5	(363,606)
Ordinary profit	5,552,972	22.5	7,821,139	28.2	2,268,166
VI. Extraordinary gain:					
Gain on sale of tangible fixed assets	722		5,246		
	722	0.0	5,246	0.0	4,523
VII. Extraordinary losses:					
1. Loss on sale of tangible fixed assets	7,623		1,142		
2. Loss on disposal of tangible fixed assets	72,191		73,250		
3. Loss on devaluation of investment securities	11,581		---		
	91,396	0.4	74,393	0.3	(17,003)
Income before income taxes	5,462,299	22.1	7,751,993	27.9	2,289,693
Income taxes	1,805,698		2,674,502		
Income tax adjustment	110,910		(110,240)		
	1,916,608	7.8	2,564,262	9.2	647,653
Minority interests (deducted)	30,859	0.1	41,158	0.2	10,298
Net income	3,514,831	14.2	5,146,572	18.5	1,631,741

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31

	2005	2006	Change from the previous year
	Thousands of yen	Thousands of yen	Thousands of yen
I. Cash flows from operating activities:			
Income before income taxes	5,462,299	7,751,993	2,289,693
Depreciation and amortization	1,243,231	1,290,607	47,376
Reversal of loss on impairment	(62,329)	(66,616)	(4,286)
Loss on revaluation of investment securities	11,581	---	(11,581)
Issue of new stocks	104,568	---	(104,568)
Loss on swap	33,081	---	(33,081)
Equity in earnings of affiliates	(16,570)	(7,899)	8,671
Increase (decrease) in retirement benefit costs	3,677	(32,844)	(36,522)
Increase (decrease) in director's retirement benefit costs	29,514	37,411	7,896
Increase (decrease) in allowance for employees' bonuses	(16,670)	83,145	99,815
Increase (decrease) in allowance for doubtful accounts	(10,606)	(25,528)	(14,921)
Increase (decrease) in allowance for special repair	31,000	31,000	---
Interest and dividend income	(86,997)	(152,309)	(65,311)
Interest expense	225,417	93,813	(131,603)
Loss on revaluation of foreign currency	(47,673)	(30,547)	17,126
Gain on sale of tangible fixed assets	(722)	(5,246)	(4,523)
Loss on disposal of tangible fixed assets	72,191	73,250	1,059
Loss on sale of tangible assets	7,623	1,142	(6,481)
Decrease (increase) in notes and accounts receivable, trade	1,066,943	(1,321,672)	(2,388,615)
Decrease (increase) in inventories	1,022,370	46,281	(976,089)
Increase (decrease) in notes and accounts payable, trade	(1,094,617)	1,296,612	2,391,229
Other	205,922	(497,789)	(703,711)
Subtotal	8,183,235	8,564,804	381,569
Interest and dividend income received	86,928	146,435	59,507
Interest expense paid	(237,959)	(95,584)	142,374
Income taxes paid	(2,918,457)	(1,298,863)	1,619,594
Net cash provided by operating activities	5,113,746	7,316,791	2,203,045

	2005	2006	Change from the previous year
	Thousands of yen	Thousands of yen	Thousands of yen
II. Cash flows from investing activities:			
Decrease in time deposits	17,000	1,000,000	983,000
Increase in time deposits	(3,204,165)	(540,539)	2,663,626
Payments for purchase of investment securities	(5,611)	(313,705)	(308,094)
Proceeds from sale of investment securities	10,416	---	(10,416)
Payments for acquisition of tangible fixed assets	(1,895,163)	(3,737,457)	(1,842,294)
Proceeds from sale of tangible fixed assets	19,044	7,911	(11,132)
Payments for purchase of intangible assets	(17,928)	(11,686)	6,241
Proceeds from the loan collected	285	---	(285)
Other	(14,589)	519	15,108
Net cash used in investing activities	(5,090,709)	(3,594,956)	1,495,753
III. Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	582,832	(1,200,000)	(1,782,832)
Proceeds from long-term borrowings	1,150,596	---	(1,150,596)
Repayment of long-term debt	(6,307,963)	(2,048,597)	4,259,365
Repayment of corporate bonds	---	(25,000)	(25,000)
Proceeds from issuance of new stocks	13,149,431	---	(13,149,431)
Acquisition of treasury stock	(379)	(2,283)	(1,904)
Payment by installments	(21,214)	(21,801)	(587)
Dividends paid	(291,764)	(442,860)	(151,095)
Dividends paid to minority interests	(23,361)	(19,893)	3,467
Net cash provided by (used in) financing activities	8,238,177	(3,760,436)	(11,998,613)
IV. Effect of exchange rate changes on cash and cash equivalents	28,508	130,810	102,301
V. Net increase (decrease) in cash and cash equivalents during the term	8,289,722	92,208	(8,197,513)
VI. Cash and cash equivalents at beginning of year	3,890,728	12,180,451	8,289,722
VII. Cash and cash equivalents at end of year	12,180,451	12,272,659	92,208