

Summary information (interim report/consolidated)

**OHARA INC.**

June 21, 2007

**Flash Report (Consolidated Basis)****Results for the first half of the fiscal year ending October 31, 2007**

Company name: OHARA INC.

Stock listing: Tokyo Stock Exchange (First section)

Code number: 5218

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

Representative: Sumimasa Yutani, President - Representative Director

Planned date for submission of interim reports: July 24, 2007

## 1. Performance

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

First half ended April 30 (Figures in percentages denote the increase or decrease from the previous interim period)

## (1) Operating results

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	13,331	3.0	3,316	0.8	3,771	11.0	2,322	7.5
2006	12,946	6.8	3,289	9.6	3,396	23.7	2,159	33.0
Year ended Oct. 2006	27,761	-	7,552	-	7,821	-	5,146	-

	Net income per share	Net income per share after dilution
	Yen	Yen
2007	182.54	-
2006	169.75	-
Year ended Oct. 2006	404.29	-

(Reference): Equity in earnings of affiliates: Term ended April 30, 2007: ¥3 million, Term ended April 30, 2006: ¥5 million, Year ended October 31, 2006: ¥7 million

## (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	56,097	42,419	74.8	3,298.82
2006	52,633	36,648	69.6	2,880.09
Year ended Oct. 2006	55,742	40,308	71.5	3,132.95

(Reference): Shareholders' equity: Term ended April 30, 2007: ¥41,975 million, Term ended April 30, 2006: ¥36,648 million, Year ended October 31, 2006: ¥39,867 million

## (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalent at end of term
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
2007	2,276	(3,775)	(1,377)	9,392
2006	4,047	(2,241)	(1,981)	12,058
Year ended Oct. 2006	7,316	(3,594)	(3,760)	12,272

## 2. Dividends

(Base date)	Dividend per stock		
	End of H1	End of FY	Annual
	Yen	Yen	Yen
Year ended Oct. 2006	-	40.00	40.00
Year ended Oct. 2007 (results)	-	—	20.00
Year ended Oct. 2007 (forecast)	—	20.00	—

(Note): A 2-for-1 stock split was conducted on May 1, 2007.

## 3. Forecast for fiscal year ending October 31, 2007

(Percentage figures denote the year-on-year increase or decrease.)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	28,000	0.9	7,280	(3.6)	7,380	(5.6)	4,550	(11.6)	178.79

(Note): A 2-for-1 stock split was conducted on May 1, 2007.

## 4. Others

## (1) Important changes of subsidiaries during the term

(change of specified subsidiaries that lead to a change in the scope of consolidation): No  
(Note) For more details, please see Page 7, "Business Overview."

## (2) Changes in accounting principles and procedures and the presentation method, etc. of consolidated financial statements (those which are included in changes in significant accounting policies in the preparation of the financial statements)

1) Changes associated with the revision of accounting principles, etc.: No

2) Change other than 1): No

## (3) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock) (shares)

Term ended April 30, 2007: 12,725,000, Term ended April 30, 2006: 12,725,000,

Year ended October 31, 2006: 12,725,000

2) Number of treasury stock at the end of the term (shares)

Term ended April 30, 2007: 592, Term ended April 30, 2006: 358,

Year ended October 31, 2006: 492

## (Reference) Summary of non-consolidated basis

## 1. Performance

## (1) Operating results

First half ended April 30 (Figures in percentages denote the increase or decrease from the previous interim period)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	10,187	0.6	2,010	12.3	2,777	17.3	1,717	16.9
2006	10,128	5.3	1,790	(0.8)	2,367	6.2	1,468	(5.2)
Year ended Oct. 2006	21,723	-	4,204	-	4,894	-	3,032	-

	Net income per share	
	Yen	
2007	134.98	
2006	115.43	
Year ended Oct. 2006	238.30	

## (2) Financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
2007	47,137		34,384		72.9		2,702.23	
2006	45,728		31,398		68.7		2,467.56	
Year ended Oct. 2006	47,655		33,117		69.5		2,602.63	

(Reference): Shareholders' equity: Term ended April 30, 2007: ¥34,384 million, Term ended April 30, 2006: ¥31,398 million,  
Year ended October 31, 2006: ¥33,117 million

## 2. Forecast for fiscal year ending October 31, 2007

(Percentage figures denote the year-on-year increase or decrease.)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full-year	22,000	1.3	4,040	(3.9)	4,710	(3.8)	2,730	(10.0)	107.27	

(Note): A 2-for-1 stock split was conducted on May 1, 2007.

1. The above forecasts are prospects based on information currently available and contain many uncertainties. Hence, actual results may differ from the forecasts, depending on changes in business conditions, among other factors. Please see page 4 of the attachment for matters relating to the forecasts.
2. A 2-for-1 stock split was conducted on May 1, 2007 for the common shares of the shareholders on April 30, 2007. The forecast net income per share under the headings of "3. Forecast for fiscal year ending October 31, 2007" and "(Reference) Summary of non-consolidated basis, 2. Forecast for fiscal year ending October 31, 2007" is calculated based on the effect of the stock split.

## 1. Operating Results

### (1) Analysis of operating results

A review of the domestic and overseas economies in the interim period shows that the US economy continued to expand on solid personal spending and a recovery in corporate capital expenditure, despite a continued decline in housing investment. The European economy was generally firm. Although exports slowed, corporate performance remained strong, and capital expenditure increased. The Asian regional economy expanded, as the Chinese economy continued to experience high growth and other Asian economies sustained firm exports. The Japanese economy continued to grow at a steady clip with a positive trend in personal spending and a sustained upward rise in capital expenditure.

In the optical equipment market, and here demand for single-lens reflex digital cameras and interchangeable lens for digital cameras continued to grow, while demand for semiconductor exposure apparatuses was firm. In contrast, in the information and telecommunications equipment market, there was a lull in demand for hard-disk drives in association with inventory adjustments by manufacturers.

The average exchange rates of the yen against the dollar and euro for the interim period were 118.70 yen and 155.99 yen, respectively. The yen depreciated about 1.0% against the dollar year on year, and a very substantial 10.6% against the euro.

In this environment, we endeavored to respond to rising demand for optical glass for semiconductor exposure apparatuses and hard disk substrates. As a consequence, sales for the interim period amounted to ¥13,331 million, up 3.0% year on year.

Gross profit was ¥5,707 million, a rise of 6.5%, a result of expanding sales of high value-added products and the promotion of cost reduction activities, which offset falls in selling prices of products for digital devices. Selling, general and administrative expenses were ¥2,390 million, up 15.6%, incorporating increases in research and development expenses, depreciation expense associated with expanding buildings and equipment, and other factors. Consequently, operating income was ¥3,316 million, an increase of 0.8%. Among non-operating income and expenses, the gain on revaluation of foreign currency rose, while interest expense fell accompanying a reduction in interest-bearing debt. As a result, ordinary profit became ¥3,771 million, up 11.0%. After extraordinary losses including a loss on the disposal of fixed assets were added, net income was ¥2,322 million, a rise of 7.5%.

As a consequence, net income per share was ¥182.54 yen, an increase of ¥12.79.

Results by business segment are as follows:

#### (1) Optical products

Sales of optical pressings, the mainstays of the segment, were ¥7,473 million (down 5.2% year on year), reflecting tougher sales competition with domestic and foreign competitors and falls in the unit selling prices of products for digital devices, although the Company focused on expanding sales of Low Tg Glass for glass molds. Sales of optical blocks, on the other hand, increased to ¥2,305 million (up 18.2%) with a rise in sales of highly homogeneous glass materials for steppers. As a consequence, consolidated sales in the segment were ¥9,778 million (down 0.5%), and operating income ¥2,771 million (down 1.6%).

#### (2) Information products

Sales of disk products, the mainstays of the segment, were ¥1,873 million (up 13.8%), driven by solid demand,

although an upward trend in demand for hard disk drives appeared to be coming to a temporary pause. Sales of Specialty Glass were ¥1,678 million (up 14.3%), since demand for polished products of Specialty Glass rose while demand for Ultra Low Expansion Glass-Ceramics fell. Consequently, consolidated sales in the segment were ¥3,552 million (a rise of 14.1%), and operating income was ¥545 million (an increase of 15.2%).

A breakdown of results by geographical segment:

(1) Japan

Although demand for highly homogeneous glass materials for steppers and hard disk substrates increased, sales fell to ¥7,531 million (declining 2.1% year on year) on intensifying sales competition with competitors and declines in unit selling prices. On the other hand, operating income rose to ¥2,096 million (up 18.1%) because of the promotion of cost cutting activities, an associated improvement in production efficiency, and other factors.

(2) Asia

Sales were ¥4,083 million (down 1.3%), the result of falls in unit selling prices, despite a sustained rise in demand for glass materials for optical products. Operating income was ¥959 million (down 26.7%), reflecting higher depreciation in association with capital expenditure.

(3) North America

While sales of glass materials for optical products saw sluggish growth, demand for polished Specialty Glass in the information products segment expanded. As a consequence, sales were ¥734 million (a rise of 49.8%), and operating income was ¥154 million (an increase of 175.3%).

(4) Europe

In the optical products segment, demand for highly homogeneous glass materials for steppers rose, and in the information products segment, the Company focused on expanding sales of Ultra Low Expansion Glass-Ceramics. Consequently, sales were ¥981 million (up 56.5%), and operating income ¥296 million (a rise of 42.3%).

Sales by geographical segment above are sales to external customers.

(2) Full-year outlook

The economy is expected to continue to expand modestly, backed by solid domestic demand associated with increases in personal spending and capital expenditure, etc. despite concerns such as surging costs of raw materials and exchange rate fluctuations.

The Group operates in the optical device and information and communications equipment sectors, and here it will likely need to respond to a more challenging environment in terms of production cost and quality, given intensifying competition, especially in Asian countries, surging raw material costs, and other factors. Nonetheless, demand can be expected to grow in Japan and abroad.

In these circumstances, the Group will simultaneously promote activities in three areas—research and development, manufacturing and sales—under a global system in cooperation with Group companies.

By segment, we will endeavor to increase sales of Low Tg Glass for glass molds, an area of growing demand, in the optical products segment. In the information products segment, we will review our manufacturing facility plan for hard disk substrates and will bolster efficiency under a production system geared to responding to demand.

As a consequence, consolidated sales for the full year are expected to be ¥28,000 million, ordinary profit should reach ¥7,380 million, and net income is likely to stand at ¥4,550 million. On a non-consolidated basis, sales, ordinary profit, and net income are projected to be ¥22,000 million, ¥4,710 million, and ¥2,730 million, respectively.

### (3) Financial analysis

#### 1) Analysis of financial position

Current assets at the end of the interim period were ¥24,027 million (down 14.2% from the end of the previous fiscal year). The principal factors were a fall of ¥1,565 million in cash on hand and in banks following the acquisition of tangible fixed assets, etc., a decline of ¥1,525 million in notes and accounts receivable—trade, and a decrease of ¥1,162 million in marketable securities.

Fixed assets were ¥32,070 million (up 15.6%). The main increases were ¥750 million in buildings and structures and ¥1,728 million in machinery and vehicles under tangible fixed assets, and ¥1,055 million in construction in progress. These are the results of investment in the enhancement of production facilities in response to expanding demand for products. In investments and other assets, long-term deposit increased ¥1,000 million.

Current liabilities were ¥8,554 million (down 13.4%), reflecting mainly a fall of ¥792 million in notes and accounts payable—trade and a decline of ¥716 in accrued income taxes.

Long-term liabilities were ¥5,122 million (down 7.9%), mainly because of a decline of ¥521 million in long-term debt.

Net assets became ¥42,419 million (up 5.2%). The main factor was a rise of ¥1,811 million in retained earnings as a result of the posting of net income, etc.

#### 2) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the interim period stood at ¥9,392 million (falling 22.1% year on year). Income before income taxes of ¥3,746 million (up 11.0%) and the decrease in notes and accounts receivable—trade were offset by a decrease in notes and accounts payable—trade, income taxes paid, payments for the acquisition of tangible fixed assets and other factors. Consequently, cash fell ¥2,880 million from the end of the previous fiscal year.

The following is a description of each category of cash flows and their factors:

##### Cash flows from operating activities

Net cash provided by operating activities was ¥2,276 million (down 43.8%).

While there were positive factors, including income before income taxes of ¥3,746 million and a decrease in notes and accounts receivable—trade of ¥1,652 million, cash declined ¥795 million in a decrease in notes and accounts payable—trade and ¥2,077 million in income taxes paid.

##### Cash flows from investing activities

Net cash used in investing activities was ¥3,775 million (an increase of 68.4%).

The main factors were payments for the acquisition of tangible fixed assets of ¥2,625 million and an increase in time deposits of ¥1,141 million.

## Cash flows from financial activities

Net cash used in financial activities was ¥1,377 million (a fall of 30.5%).

The main factors were payments of ¥957 million associated with a reduction of interest-bearing debt and dividends paid of ¥508 million.

## (For reference) Change in cash flow-related indicators

	FY2005		FY2006		FY2007
	Interim	End of year	Interim	End of year	Interim
Equity ratio (%)	48.3	68.8	69.6	71.5	74.8
Market value-based equity ratio (%)	-	125.9	141.7	134.7	127.9
Ratio of interest-bearing debt to cash flow	2.7	1.4	0.7	0.5	1.4
Interest coverage ratio	17.1	21.5	76.7	76.5	87.1

(Notes) Equity ratio: Shareholders' equity / Total assets x 100  
 Market value-based equity ratio: Aggregate market value of stocks / Gross assets  
 Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow by sales activities  
 Interest coverage ratio: Cash flow by sales activities / Interest payments

- \* Each indicator is calculated based on consolidated financial data.
- \* The total market value of shares is calculated based on the number of issued shares excluding treasury stocks.
- \* For operating cash flows, cash flows from operating activities in the consolidated cash flow statement are used. All borrowings involving the payment of interest and stated in the consolidated balance sheets are included in interest-bearing borrowings. For the calculation of interest payments, interest payments recorded in the consolidated statements of cash flows are used.

## (4) Principle policy on the distribution of profits and dividends for fiscal year 2006

Our basic policy is to distribute consistent and stable profits to shareholders while securing sufficient retained earnings for strengthening management bases and expanding operations.

Under the policy, we seek to pay dividends in accordance with business performance, taking return on equity (ROE) and dividend payout ratio into consideration.

For the previous fiscal term, a common dividend of ¥40 was approved in a resolution adopted at the 98th ordinary general meeting of shareholders held on January 30, 2007. For this fiscal year, a year-end dividend of ¥20 per share is planned to be paid, following the stock split, as described in the notice on the revision of the year-end dividend forecast for the fiscal year ending October 31, 2007 (published on April 19, 2007).

The Company will use retained earnings to bolster its financial position and develop new operations to respond to changes in the business environment expected to occur in the future.

## 2. Business Overview

The Company and its related companies consist of the Company, nine subsidiaries, one affiliate, and other related companies—Seiko Holdings Corporation and Canon Inc.

The Group (the Company, consolidated subsidiaries and an equity method affiliate; hereinafter the same applies) consists of nine consolidated subsidiaries and one equity method affiliate. Its main business is the manufacture and sale of glass materials for optical and information devices. The Company engages mainly in the production and sale of materials and the sale of products. The subsidiaries and affiliate process and sell the products.

The following is a description of the Group's businesses by segment:

### (1) Optical products

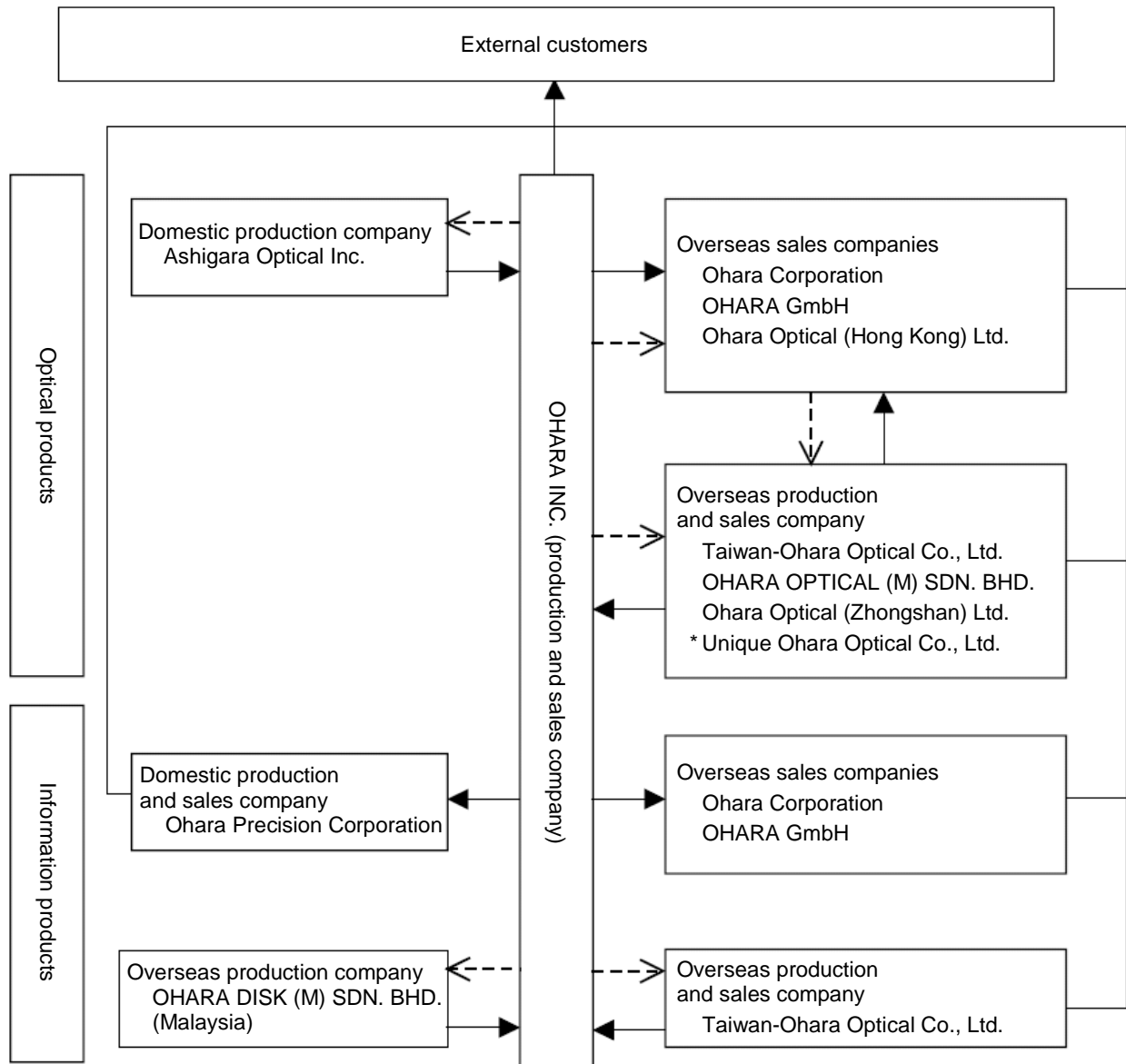
In its optical products segment, the Group possesses a stable mass production system based on optical glass production technologies. This is an integrated production system involving domestic and overseas production subsidiaries system, which the Group has been building since its foundation, and handles all processes from the melting of raw materials to molding for different purposes. We produce and sell digital devices including digital cameras and LCD projectors, optical lens blanks used in semiconductor manufacturing equipment and other devices, as well as lens preforms for the mold press. Sales subsidiaries Ohara Corporation, OHARA GmbH, and OHARA OPTICAL (Hong Kong) Ltd. sell these products in North America, Europe, and Asia, respectively.

### (2) Information products

In this segment, the Group produces and sells glass-ceramics, including glass disks for hard disk devices installed mainly in mobile equipment, low expansion glass-ceramics used for semiconductor manufacturing equipment and liquid crystal exposure devices, and glass-ceramics for substrates for dense wave division multiplexing (DWDM) thin-film filters, and specialty glass. We supply materials for glass disks for hard disk devices to OHARA DISK(M)SDN.BHD., a production subsidiary in Malaysia, which processes the materials, and purchases the processed products.

Segment	Company name
Optical products	OHARA INC. Taiwan-Ohara Optical Co., Ltd. (ROC) OHARA OPTICAL (M) SDN. BHD. (Malaysia) Ohara Optical (Zhongshan) Ltd. (PRC) Ohara Corporation (USA) OHARA GmbH (Germany) Ohara Optical (Hong Kong) Ltd. Ashigara Optical Inc. Unique Ohara Optical Co., Ltd. (PRC)
Information products	OHARA INC. Taiwan-Ohara Optical Co., Ltd. (ROC) Ohara Corporation (USA) OHARA GmbH (Germany) Ohara Precision Corporation OHARA DISK (M) SDN. BHD. (Malaysia)

The chart below shows a business system diagram of the Group.



(Note) \*: Affiliates accounted for by the equity method

---> Supplying of materials  
 —> Supplying of products and half-finished products

(Note) There are no business transactions with Seiko Holdings Corporation. Canon Inc. is a customer of the Company. Business terms including prices for Canon Inc. are the same as those for other customers with which the Company does not have special relationships.

### 3. Management Policy

#### (1) Principle management policy

The Group has developed a management policy of constantly creating new, distinct value, developing powerful companies, and contributing to the happiness of all employees and the prosperity of society. It shares this policy among all employees, making it a code of conduct. To embody this policy, the Group has adopted a basic management approach of providing products in pursuit of customer interests in the optical and information fields, with a motto of creating the future of optics and information, and seeks to develop and provide products that customers trust in every respect, including quality, delivery time, and price.

#### (2) Target management indicators

The Group has set the following targets in its three-year medium-term management plan, which runs until the fiscal year ending October 31, 2008. We will seek to achieve these targets and in doing so, maximize corporate value.

- Sales of at least ¥28.6 billion
- Ordinary profit of at least ¥7.4 billion
- ROA (return on assets) of at least 10%
- Ratio of interest-bearing debt to total assets of no more than 10%

Of the above targets, the Group achieved all targets except sales in the previous fiscal year, the first year of the medium-term management plan, achieving an excellent start. However, we have not changed our forecasts from a medium- to long-term perspective. Since the business environment surrounding the Group is expected to remain uncertain from this fiscal year, as described under the heading “(4) Key management issues,” we are not revising upward the targets in the medium-term management plan.

#### (3) Medium-to long-term management strategies

The Group is following a three-year medium-term management plan until the fiscal year ending October 31, 2008. In developing the plan, we have established basic strategies from the following four perspectives, on which we base our activities:

- Financial perspective / bolstering financial strength
  - Bolster financial strength and always create high margin percentages.
- Customers' perspective / adding high value to products
  - Provide distinctive and superior materials for the market in a timely fashion.
- Perspective of business processes / establishing a stable profit structure
  - Enlarge and strengthen the pillar of optical products and develop many pillars of information products.
- Perspective of learning and growth / reforming corporate culture
  - Create a free and generous corporate culture and promote speed and teamwork.

#### (4) Key management issues

The Group will allocate management resources to supply optical lens blanks for digital devices, a market expected to experience continued growth, and focus on developing new products to meet the needs of customers. To realize this goal, the Group has adopted the following basic management policies from a medium- to long-term perspective:

### 1) Bolstering financial strength

The main business of the Group is manufacturing and selling optical lens blanks. The Group is part of the so-called smokestack industry, and low asset turnover and a time-consuming recovery of investments in fixed assets are financial issues. To address these issues, we closely examine the recoverability of capital expenditures and aim to develop production technologies that enable us to maximize production with minimal capital outlays. Another issue is that our efforts to meet market needs for different types of optical lens blanks tend to increase inventories. To deal with these challenges, we are reducing inventories through precise demand forecasts and shorter lead times. We will reduce interest-bearing debt by overcoming these challenges and improving cash flows.

### 2) Launching new products

With the rise of Chinese manufacturers, prices of general optical glass is declining. In response, the Group seeks to establish a stable profit structure in the optical products segment with the timely launch of new products that not only are of high quality but also meet the needs of customers. In the information products segment, we will introduce high value-added products, by exploring the potential of optical glass.

### 3) Undertaking business reforms

#### - Business reform activities

To introduce high-quality products at lower prices in a timely manner, eliminating waste in daily operations is important. To achieve significant cuts in production costs, examining the production process from the development phase is effective. The Group will also review production technologies, aiming to lower costs.

#### - HR system reform

We will establish a strong human resources system based on a clear evaluation system, thereby motivating employees while developing skills over the medium and long terms.

#### - Corporate culture reform

Officers and managerial-level staff take the lead in ensuring an awareness of compliance at all levels of the Group and in setting examples for employees. The Group aims to create a work environment in which employees and their families can feel happy.

Although the Japanese and overseas economies are expected to expand modestly, there are uncertainties such as unstable conditions in the Middle East and rising costs of raw materials. These are issues the Group must address in the immediate future.

The Group operates in the optical devices and information and communications equipment markets, and in these markets competition with China and other Asian countries is intensifying. In addition, the costs of energy resources and raw materials are soaring. The Group is expected to be forced to respond to increasingly challenging situations in terms of production cost and quality.

In these circumstances, the Group will strive to expand sales and secure profits by continuing to launch new high-quality, high value-added products to meet customer needs in a timely manner under its medium-term management plan. Through its business reform activities, the Group will eliminate waste in day-to-day operations

and strive to cut costs further. At the same time, the Group will reform its personnel system to secure the human resources needed to achieve sustainable development. We will also develop an internal control system to bolster corporate governance and will seek to contribute to society by protecting the environment.

(5) Other important matters concerning corporate management

Not applicable.

## Consolidated Financial Statement

### CONSOLIDATED BALANCE SHEETS

At April 30

(Thousands of yen)

	2006		2007		Change from the previous interim term	At October 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
<b>ASSETS</b>							
I. Current assets:							
1. Cash on hand and in banks	12,244,295		9,788,475		(2,455,819)	11,354,001	
2. Notes and accounts receivable, trade	7,832,732		7,723,390		(109,341)	9,248,917	
3. Marketable securities	1,103,613		22,833		(1,080,780)	1,184,962	
4. Inventories	4,928,034		5,315,149		387,115	5,054,741	
5. Deferred tax assets	735,723		831,303		95,580	849,288	
6. Other current assets	146,503		354,331		207,827	318,746	
7. Less: allowance for doubtful accounts	(24,280)		(8,373)		15,906	(7,314)	
Total current assets	26,966,622	51.2	24,027,110	42.8	(2,939,512)	28,003,342	50.2
II. Fixed assets:							
1. Tangible fixed assets:							
(1) Buildings and structures	6,733,004		7,596,605			6,846,476	
Accumulated depreciation and amortization	3,059,734		3,358,894			3,192,703	
	3,673,269		4,237,710		564,440	3,653,772	
(2) Machinery and vehicles	9,098,063		12,612,485			10,883,883	
Accumulated depreciation and amortization	5,988,350		6,989,298			6,297,504	
	3,109,712		5,623,187		2,513,474	4,586,378	
(3) Tools, furniture, and fixtures	8,955,262		9,416,148			8,992,664	
Accumulated depreciation and amortization	1,101,412		1,033,725			1,152,564	
	7,853,850		8,382,422		528,572	7,840,099	
(4) Land	357,164		370,631		13,466	362,459	
(5) Construction-in-progress	307,661		1,731,640		1,423,978	676,427	
Total tangible fixed assets	15,301,659	29.1	20,345,592	36.3	5,043,932	17,119,137	30.7
2. Intangible assets	61,740	0.1	57,437	0.1	(4,302)	59,445	0.1
3. Investments and other assets:							
(1) Investment securities	7,457,662		7,819,479		361,817	7,720,023	
(2) Long-term deposit	2,500,000		3,500,000		1,000,000	2,500,000	
(3) Deferred income taxes	62,895		55,262		(7,632)	57,182	
(4) Others	282,916		292,534		9,617	283,707	
Total investments and other assets	10,303,474	19.6	11,667,276	20.8	1,363,802	10,560,914	19.0
Total fixed assets	25,666,874	48.8	32,070,306	57.2	6,403,432	27,739,497	49.8
Total assets	52,633,496	100.0	56,097,417	100.0	3,463,920	55,742,840	100.0

At April 30

(Thousands of yen)

	2006		2007		Change from the previous interim term	At October 31, 2006	
	Amount	%	Amount	%		Amount	Amount
<b>LIABILITIES</b>							
<b>I. Current liabilities:</b>							
1. Notes and accounts payable, trade	3,518,390		3,044,487		(473,902)	3,837,302	
2. Short-term borrowings	3,118,297		2,025,918		(1,092,378)	2,199,341	
3. Corporate bond with a maturity of less than one year	225,000		25,000		(200,000)	225,000	
4. Accrued income taxes	1,237,447		1,130,105		(107,342)	1,846,390	
5. Deferred tax liabilities	36		2,956		2,920	2,398	
6. Allowance for employees' bonuses	462,603		488,575		25,972	704,057	
7. Allowance for directors' bonuses	25,200		33,629		8,429	109,700	
8. Allowance for environmental measures	-		34,794		34,794	-	
9. Account payable-nontrade	423,200		1,246,324		823,124	467,334	
10. Other current liabilities	256,171		523,012		266,841	481,807	
<b>Total current liabilities</b>	<b>9,266,346</b>	<b>17.6</b>	<b>8,554,805</b>	<b>15.3</b>	<b>(711,541)</b>	<b>9,873,332</b>	<b>17.7</b>
<b>II. Long-term liabilities:</b>							
1. Corporate bond	162,500		137,500		(25,000)	150,000	
2. Long-term debt	2,287,592		907,900		(1,379,692)	1,429,625	
3. Deferred tax liabilities	2,263,407		2,530,069		266,661	2,398,923	
4. Accrued retirement benefits for employees	1,223,922		1,122,699		(101,223)	1,187,124	
5. Accrued retirement benefits for directors and corporate auditors	199,985		242,026		42,040	217,187	
6. Allowance for special repair	62,100		93,100		31,000	77,600	
7. Long-term accrued expenses	110,552		88,451		(22,101)	99,577	
8. Other long-term liabilities	870		870		-	870	
<b>Total long-term liabilities</b>	<b>6,310,932</b>	<b>12.0</b>	<b>5,122,616</b>	<b>9.1</b>	<b>(1,188,315)</b>	<b>5,560,908</b>	<b>10.0</b>
<b>Total liabilities</b>	<b>15,577,278</b>	<b>29.6</b>	<b>13,677,421</b>	<b>24.4</b>	<b>(1,899,857)</b>	<b>15,434,240</b>	<b>27.7</b>

At April 30

(Thousands of yen)

	2006		2007		Change from the previous interim term	At October 31, 2006	
	Amount	%	Amount	%		Amount	Amount
<b>MINORITY INTERESTS</b>							
Minority interests	408,146	0.8	-		(408,146)	-	-
<b>SHAREHOLDERS' EQUITY</b>							
I. Capital stock	5,855,000	11.1	-		(5,855,000)	-	-
II. Capital surplus	7,930,785	15.1	-		(7,930,785)	-	-
III. Earned surplus	19,487,377	37.0	-		(19,487,377)	-	-
IV. Net unrealized holding gain on securities	3,616,588	6.9	-		(3,616,588)	-	-
V. Foreign exchange adjustment	(239,821)	(0.5)	-		239,821	-	-
VI. Treasury stock	(1,857)	(0.0)	-		1,857	-	-
Total shareholders' equity	36,648,071	69.6	-		(36,648,071)	-	-
Total liabilities, minority interests, and shareholders' equity	52,633,496	100.0	-		(52,633,496)	-	-
<b>NET ASSETS</b>							
I. Shareholders' equity:							
1. Capital stock	-	-	5,855,000	10.4	5,855,000	5,855,000	10.5
2. Capital surplus	-	-	7,930,785	14.1	7,930,785	7,930,785	14.2
3. Retained earnings	-	-	24,285,913	43.3	24,285,913	22,473,987	40.3
4. Treasury stock, at cost	-	-	(3,194)	(0.0)	(3,194)	(2,662)	(0.0)
Total shareholders' equity	-	-	38,068,505	67.8	38,068,505	36,257,109	65.0
II. Valuation and translation adjustments:							
1. Net unrealized holding gain on securities	-	-	3,831,362	6.8	3,831,362	3,772,325	6.8
2. Foreign exchange adjustment	-	-	75,632	0.2	75,632	(162,130)	(0.3)
Total valuation and translation adjustments	-	-	3,906,995	7.0	3,906,995	3,610,195	6.5
III. Minority interests	-	-	444,495	0.8	444,495	441,294	0.8
Total net assets	-	-	42,419,995	75.6	42,419,995	40,308,599	72.3
Total liabilities and net assets	-	-	56,097,417	100.0	56,097,417	55,742,840	100.0

**CONSOLIDATED STATEMENTS OF INCOME**

Terms ended April 30

(Thousands of yen)

	2006		2007		Change from the previous interim term	Year ended October 31, 2006	
	Amount	%	Amount	%		Amount	Amount
I. Net sales	12,946,303	100.0	13,331,327	100.0	385,024	27,761,865	100.0
II. Cost of sales	7,589,346	58.6	7,624,038	57.2	34,691	15,643,434	56.3
Gross profit	5,356,956	41.4	5,707,289	42.8	350,332	12,118,433	43.7
III. Selling, general and administrative expenses	2,067,057	16.0	2,390,316	17.9	323,259	4,565,473	16.5
Operating income	3,289,899	25.4	3,316,972	24.9	27,073	7,522,960	27.2
IV. Non-operating income:							
1. Interest income	26,892		50,386			69,672	
2. Dividend income	35,909		45,644			82,637	
3. Rental fee	5,498		5,531			11,142	
4. Gain on revaluation of foreign currency	67,625		290,853			124,622	
5. Equity in earnings of affiliates	5,136		3,201			7,899	
6. Reversal of loss on impairment	-		-			66,616	
7. Other non-operating income	30,280		92,530			63,500	
	171,342	1.3	488,147	3.7	316,804	426,090	1.5
V. Non-operating expenses:							
1. Interest expense	54,479		26,815			93,813	
2. Other non-operating expenses	10,438		7,175			64,098	
	64,917	0.5	33,991	0.3	(30,926)	157,911	0.5
Ordinary profit	3,396,324	26.2	3,771,128	28.3	374,804	7,821,139	28.2
VI. Extraordinary gain:							
Gain on sale of tangible fixed assets	1,944		63			5,246	
	1,944	0.1	63	0.0	(1,881)	5,246	0.0
VII. Extraordinary losses:							
1. Loss on sale of tangible fixed assets	31		-			1,142	
2. Loss on disposal of tangible fixed assets	24,745		25,078			73,250	
	24,776	0.2	25,078	0.2	302	74,393	0.3
Income before income taxes	3,373,492	26.1	3,746,113	28.1	372,620	7,751,993	27.9
Income taxes	1,237,164		1,309,975			2,674,502	
Income tax adjustment	(30,552)		92,469			(110,240)	
	1,206,612	9.3	1,402,444	10.5	195,832	2,564,262	9.2
Minority interests (deducted)	6,917	0.1	20,887	0.2	13,969	41,158	0.2
Net income	2,159,962	16.7	2,322,781	17.4	162,818	5,146,572	18.5

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Terms ended April 30

(Thousands of yen)

	2006	2007	Change from the previous interim term	Year ended October 31, 2006
	Amount	Amount	Amount	Amount
I. Cash flows from operating activities				
Income before income taxes	3,373,492	3,746,113	372,620	7,751,993
Depreciation and amortization	576,377	742,934	166,557	1,290,607
Reversal of loss on impairment	-	-	-	(66,616)
Equity in earnings of affiliates	(5,136)	(3,201)	1,935	(7,899)
Increase (decrease) in retirement benefit costs	4,178	(71,346)	(75,524)	(32,844)
Increase (decrease) in director's retirement benefit costs	20,061	24,613	4,551	37,411
Increase (decrease) in allowance for employees' bonuses	(153,965)	(219,295)	(65,330)	83,145
Increase (decrease) in allowance for doubtful accounts	(6,693)	888	7,581	(25,528)
Increase (decrease) in allowance for special repair	15,500	15,500	-	31,000
Interest and dividend income	(62,801)	(96,031)	(33,229)	(152,309)
Interest expense	54,479	26,815	(27,663)	93,813
Gain / Loss on revaluation of foreign currency	28,162	(173,076)	(201,239)	(30,547)
Gain on sale of tangible fixed assets	(1,913)	(63)	1,850	(5,246)
Loss on disposal of tangible fixed assets	24,745	25,078	333	73,250
Loss on sale of tangible assets	-	-	-	1,142
Decrease (increase) in notes and accounts receivable, trade	32,475	1,652,014	1,619,538	(1,321,672)
Decrease (increase) in inventories	140,779	(172,491)	(313,271)	46,281
Increase (decrease) in notes and accounts payable, trade	984,341	(795,894)	(1,780,236)	1,296,612
Other	(570,249)	(410,958)	159,291	(497,789)
Subtotal	4,453,832	4,291,599	(162,233)	8,564,804
Interest and dividend income received	62,376	88,782	26,406	146,435
Interest expense paid	(52,788)	(26,140)	26,648	(95,584)
Income taxes paid	(415,536)	(2,077,323)	(1,661,786)	(1,298,863)
Net cash provided by operating activities	4,047,883	2,276,918	(1,770,964)	7,316,791

Terms ended April 30

(Thousands of yen)

	2006	2007	Change from the previous interim term	Year ended October 31, 2006
	Amount	Amount	Amount	Amount
II. Cash flows from investing activities				
Increase in time deposits	-	-	-	1,000,000
Decrease in time deposits	(582,578)	(1,141,048)	(558,470)	(540,539)
Payments for purchase of investment securities	(313,105)	-	313,105	(313,705)
Payments for acquisition of tangible fixed assets	(1,342,827)	(2,625,906)	(1,283,078)	(3,737,457)
Proceeds from sale of tangible fixed assets	3,881	157	(3,724)	7,911
Payments for purchase of intangible assets	(2,230)	(8,960)	(6,730)	(11,686)
Proceeds from the loan collected	1,849	-	(1,849)	-
Other	(6,596)	159	6,755	519
Net cash used in investing activities	(2,241,607)	(3,775,599)	(1,533,991)	(3,594,956)
III. Cash flows from financing activities				
Increase (decrease) in short-term borrowings, net	(575,000)	(140,826)	434,173	(1,200,000)
Proceeds from long-term borrowings	-	100,000	100,000	-
Repayment of long-term debt	(940,050)	(604,260)	335,790	(2,048,597)
Repayment of corporate bonds	(12,500)	(212,500)	(200,000)	(25,000)
Acquisition of treasury stock	(1,478)	(531)	946	(2,283)
Payment by installments	(10,826)	(11,126)	(299)	(21,801)
Dividends paid	(441,845)	(508,425)	(66,579)	(442,860)
Dividends paid to minority interests	-	-	-	(19,893)
Net cash provided by (used in) financing activities	(1,981,700)	(1,377,669)	604,030	(3,760,436)
IV. Effect of exchange rate changes on cash and cash equivalents	53,858	(3,857)	(57,716)	130,810
V. Net increase (decrease) in cash and cash equivalents during the term	(121,565)	(2,880,207)	(2,758,641)	92,208
VI. Cash and cash equivalents at beginning of year	12,180,451	12,272,659	92,208	12,180,451
VII. Cash and cash equivalents at end of year	12,058,886	9,392,452	(2,666,433)	12,272,659