



OHARA INC.

Flash Report (Consolidated Basis)

Results for the first quarter of fiscal year ending October 31, 2007

March 15, 2007

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

1. Basis for quarterly financial information preparation

- (1) Adoption of simplified accounting methods: Yes. Simplified methods are used for accounting standards for some of allowances and income taxes.
- (2) Changes of accounting methods since the most recent fiscal year: No
- (3) Changes of scope of consolidation and application of the equity method: No

2. Financial highlights for the first quarter of fiscal year ending October 2007 (from November 1, 2006 to January 31, 2007)

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

	Net sales		Operating income		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY2007	6,882	(6.7)	1,937	(25.2)	2,028	(22.0)	1,184	(21.6)
1Q FY2006	6,447	(-)	1,547	(-)	1,662	(-)	973	(-)
(Reference) FY2006	27,761		7,552		7,821		5,146	

	Net income per share	Net income per share after dilution
	Yen	Yen
1Q FY2007	93.09	—
1Q FY2006	76.52	—
(Reference) FY2006	404.29	—

- Percentage figures for sales and operating income, etc. indicate changes from the first quarter of the previous fiscal year. However, last year's first quarter percentage changes over the previous year's are not given since it was the first year when the Company disclosed quarterly results.
- No figure is presented for net income per share after dilution, as the Company does not have any potential shares.

[Qualitative Information and Overview of Consolidated Operating Results]

During the first quarter under review, the performance of the U.S. economy was basically favorable. Although housing investment seemed to be cooling, personal spending was firm. In Europe, domestic and foreign demand rose, as shown in increases in personal spending and exports. In Asia, the Chinese economy maintained its impressive rate of growth, and other economies stayed generally strong. The Japanese economy continued to grow moderately, led by increasing capital expenditures and strong exports, although personal spending remained weak.

In the optical instruments market, in which the Group operates, demand for digital single-lens reflex cameras and interchangeable lenses for digital cameras increased. Compact digital cameras continued to sell well. In the information and communications devices market, demand for hard disk drives with large storage capacities continued to grow, spurred by advances in information and communications technologies. In contrast, demand for specialty glass for liquid crystal exposure devices stalled, as gains from manufacturers' capital expenditures ended.

In this environment, net sales for the first quarter amounted to 6,882 million yen (up 6.7% year on year), as the Group met rising demand for optical blocks, including highly homogeneous lens materials for steppers, and hard disk substrates. Operating income became 1,937 million yen (an increase of 25.2%), reflecting growing sales of high value-added products and initiatives to reduce costs. Ordinary profit was 2,028 million yen (up 22.0%), as a fall in gains on the revaluation of foreign currency was more than offset by a decline in interest expense associated with reduced interest-bearing debt. Consequently, net income was 1,184 million yen (rising 21.6%).

The overview of operating results by business segment is as follows.

(Optical products business)

We actively responded to an increase in demand for high quality lens materials for digital single-lens reflex cameras and interchangeable lenses in our mainstay optical glass and lens business, as well as more robust demand for highly homogeneous lens materials for steppers in optical blocks. As a result, net sales and operating income in this segment were 4,918 million yen (down 0.9% year on year) and 1,513 million yen (up 10.6%), respectively.

(Information products business)

In our core disk products, we responded to rising demand for hard disk drives associated with their perpendicular magnetization, as well as higher demand for mobile devices resulting from expanded applications, by increasing our production capacity. We also focused on expanding sales of specialty glass. As a result, net sales and operating income in this segment rose significantly, to 1,963 million yen (up 32.3% year on year) and 423 million yen (a rise of 136.2%), respectively.

(2) Consolidated financial position (Figures less than ¥1 million have been omitted.)

	Total assets	Net assets	Equity ratio	Net assets per share	
	Million yen	Million yen	%	Yen	
1Q FY2007	55,196	41,137	73.7	3,196	88
1Q FY2006	50,256	35,004	69.7	2,750	90
(Reference) FY2006	55,742	40,308	71.5	3,132	95

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

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term	
	Million yen	Million yen	Million yen	Million yen	
1Q FY2007	821	(1,583)	(915)	10,599	
1Q FY2006	1,671	(944)	(1,496)	11,540	
(Reference) FY2006	7,316	(3,594)	(3,760)	12,272	

[Qualitative Information and Overview of Consolidated Financial Position]

(1) Financial position

Total assets at the end of the first quarter under review were 55,196 million yen, a decline of 546 million yen from a year earlier. This is primarily a result of an increase in tangible fixed assets along with capital expenditures, which was partially offset by a fall in cash on hand and in banks associated with the payment of income taxes. Total liabilities decreased 1,375 million yen from the end of the first quarter of the previous fiscal year, to 14,058 million yen. The key factors for the decline were a fall in interest-bearing debt and accrued income taxes among others. Net assets increased 828 million yen from a year ago, to 41,137 million yen. This is mainly attributable to the recording of quarterly net income and an increase in the net unrealized holding gain on securities. As a result, the equity ratio rose 2.2 points, to 73.7%.

(2) Cash flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first half under review were 10,599 million yen, down 1,672 million yen year on year. This was the result of an increase in cash arising from income before income taxes of 2,028 million yen and a decline in accounts receivable, which were offset by income taxes paid, the acquisition of tangible fixed assets and the repayment of long-term debt.

(Cash flows from operating activities)

Net cash provided by operating activities was 821 million yen. The major factors were a decline in cash owing to a fall in allowances for employee bonuses and income taxes paid, offset by an increase in cash due to income before income taxes of 2,028 million yen and a decrease in accounts receivable.

(Cash flow from investing activities)

Net cash used in investing activities was 1,583 million yen. This was mainly the result of the payment for the acquisition of tangible fixed assets of 1,442 million yen.

(Cash flow from financing activities)

Net cash used in financing activities amounted to 915 million yen, primarily reflecting the repayment of interest-bearing debt of 401 million yen and dividends paid of 509 million yen.

3. Forecast consolidated and non-consolidated results for fiscal year ending October 31, 2007
(from November 1, 2006 to October 31, 2007)

The forecast consolidated and non-consolidated full-year results for fiscal year ending October 31, 2007 remain unchanged from the figures announced on December 21, 2006.

CONSOLIDATED BALANCE SHEETS (Summary)

At January 31, 2007

	1Q FY2006		1Q FY2007		Change from the previous year	(Reference) FY2006	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	Thousands of yen	%
ASSETS							
I. Current assets:							
1. Cash on hand and in banks	11,626,500		9,984,033			11,354,001	
2. Notes and accounts receivable, trade	7,524,003		8,545,088			9,248,917	
3. Marketable securities	1,210,254		1,024,284			1,184,962	
4. Inventories	5,172,014		5,123,683			5,054,741	
5. Deferred tax assets	670,662		924,052			849,288	
6. Other current assets	265,095		392,336			318,746	
7. Less: allowance for doubtful accounts	(30,149)		(7,249)			(7,314)	
Total current assets	26,438,381	52.6	25,986,230	47.1	(452,150)	28,003,342	50.2
II. Fixed assets:							
1. Tangible fixed assets:							
(1) Buildings and structures	3,756,360		4,151,009			3,653,772	
(2) Machinery and vehicles	3,131,901		5,395,397			4,586,378	
(3) Tools, furniture, and fixtures	7,504,332		7,932,732			7,840,099	
(4) Land	361,484		363,632			362,459	
(5) Construction-in-progress	65,399		592,511			676,427	
Total tangible fixed assets	14,819,478	29.5	18,435,283	33.4	3,615,805	17,119,137	30.7
2. Intangible assets	68,349	0.1	56,558	0.1	(11,791)	59,445	0.1
3. Investments and other assets:							
(1) Investment securities	6,586,143		7,875,108			7,720,023	
(2) Long-term deposit	2,000,000		2,500,000			2,500,000	
(3) Deferred income taxes	53,624		57,072			57,182	
(4) Others	290,603		285,793			283,707	
(5) Less: allowance for doubtful accounts	(404)		-			-	
Total investments and other assets	8,929,966	17.8	10,717,974	19.4	1,788,007	10,560,914	19.0
Total fixed assets	23,817,794	47.4	29,209,816	52.9	5,392,021	27,739,497	49.8
Total assets	50,256,176	100.0	55,196,046	100.0	4,939,870	55,742,840	100.0

(Figures less than one thousand yen have been omitted.)

	1Q FY2006		1Q FY2007		Change from the previous year	(Reference) FY2006	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	Thousands of yen	%
LIABILITIES							
I. Current liabilities:							
1. Notes and accounts payable, trade	2,992,848		3,805,221			3,837,302	
2. Short-term borrowings	3,313,327		2,217,896			2,199,341	
3. Corporate bond with a maturity of less than one year	50,000		125,000			225,000	
4. Accrued income taxes	921,174		858,267			1,846,390	
5. Deferred tax liabilities	3,517		4,467			2,398	
6. Allowance for employees' bonuses	327,957		315,974			704,057	
7. Allowance for directors' bonuses	—		126,511			109,700	
8. Account payable-nontrade	443,500		845,557			467,334	
9. Other current liabilities	451,453		432,619			481,807	
Total current liabilities	8,503,779	16.9	8,731,517	15.8	227,737	9,873,332	17.7
II. Long-term liabilities:							
1. Corporate bond	350,000		50,000			150,000	
2. Long-term debt	2,595,801		1,234,791			1,429,625	
3. Deferred tax liabilities	1,826,705		2,464,245			2,398,923	
4. Accrued retirement benefits for employees	1,211,399		1,167,698			1,187,124	
5. Accrued retirement benefits for directors and corporate auditors	190,237		230,102			217,187	
6. Allowance for special repair	54,400		85,400			77,600	
7. Long-term accrued expenses	116,002		94,052			99,577	
8. Other long-term liabilities	870		870			870	
Total long-term liabilities	6,345,416	12.6	5,327,160	9.7	(1,018,256)	5,560,908	10.0
Total liabilities	14,849,196	29.5	14,058,677	25.5	(790,519)	15,434,240	27.7

(Figures less than one thousand yen have been omitted.)

	1Q FY2006		1Q FY2007		Change from the previous year	(Reference) FY2006	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	Thousands of yen	%
MINORITY INTERESTS							
Minority Interests	402,482	0.8	—	—	—	—	—
SHAREHOLDERS' EQUITY							
I. Capital stock	5,855,000	11.7	—	—	—	—	—
II. Capital surplus	7,930,785	15.8	—	—	—	—	—
III. Earned surplus	18,301,131	36.4	—	—	—	—	—
IV. Net unrealized holding gain on securities	3,099,254	6.2	—	—	—	—	—
V. Foreign exchange adjustment	(180,206)	(0.4)	—	—	—	—	—
VI. Treasury stock	(1,468)	△0.0	—	—	—	—	—
Total shareholders' equity	35,004,496	69.7	—	—	—	—	—
Total liabilities, minority interests, and shareholders' equity	50,256,176	100.0	—	—	—	—	—
NET ASSETS							
I. Shareholders' equity:							
1. Capital stock	—	—	5,855,000	10.6	—	5,855,000	10.5
2. Capital surplus	—	—	7,930,785	14.4	—	7,930,785	14.2
3. Retained earnings	—	—	23,149,529	41.9	—	22,473,987	40.3
4. Treasury stock, at cost	—	—	(2,662)	(0.0)	—	(2,662)	(0.0)
Total shareholders' equity	—	—	36,932,652	66.9	—	36,257,109	65.0
II. Valuation and translation adjustments:							
1. Net unrealized holding gain on securities	—	—	3,864,384	7.0	—	3,772,325	6.8
2. Foreign exchange adjustments	—	—	(118,338)	(0.2)	—	(162,130)	(0.3)
Total valuation and translation adjustments	—	—	3,746,045	6.8	—	3,610,195	6.5
III. Minority interests	—	—	458,671	0.8	—	441,294	0.8
Total net assets	—	—	41,137,369	74.5	—	40,308,599	72.3
Total liabilities and net assets	—	—	55,196,046	100.0	—	55,742,840	100.0

(Figures less than one thousand yen have been omitted.)

CONSOLIDATED STATEMENTS OF INCOME (Summary)

The first Quarter of fiscal Year ending October 31, 2007

	1Q FY2006		1Q FY2007		Change from the previous year	(Reference) FY2006	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	Thousands of yen	%
I. Net sales	6,447,174	100.0	6,882,073	100.0	434,898	27,761,868	100.0
II. Cost of sales	3,830,398	59.4	3,820,222	55.5	(10,176)	15,643,434	56.3
Gross profit	2,616,776	40.6	3,061,851	44.5	445,075	12,118,433	43.7
III. Selling, general and administrative expenses	1,069,303	16.6	1,124,713	16.4	55,409	4,565,473	16.5
Operating income	1,547,472	24.0	1,937,138	28.1	389,665	7,552,960	27.2
IV. Non-operating income	150,113	2.3	103,452	1.5	(46,660)	426,090	1.5
V. Non-operating expenses	34,750	0.5	12,041	0.1	(22,708)	157,911	0.5
Ordinary profit	1,662,835	25.8	2,028,548	29.5	365,713	7,821,139	28.2
VI. Extraordinary gain	1,870	0.0	8	0.0	(1,862)	5,246	0.0
VII. Extraordinary losses	922	0.0	328	0.0	(594)	74,393	0.3
Income before income taxes	1,663,783	25.8	2,028,228	29.5	364,445	7,751,993	27.9
Income taxes	725,178		900,903			2,674,502	
Income tax adjustment	(36,951)		(72,649)			(110,240)	
	688,227	10.7	828,253	12.1	140,026	2,564,262	9.2
Minority interests	1,838	0.0	15,452	0.2	13,613	41,158	0.2
Net income	973,717	15.1	1,184,522	17.2	210,805	5,146,572	18.5

(Figures less than one thousand yen have been omitted.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Summary)

The first Quarter of fiscal Year ending October 31, 2007

	1Q FY2006	1Q FY2007	(Reference) FY2006
	Thousands of yen	Thousands of yen	Thousands of yen
I. Cash flows from operating activities:			
Income before income taxes	1,663,783	2,028,228	7,751,993
Depreciation and amortization	285,609	341,991	1,290,607
Reversal of loss on impairment	—	—	(66,616)
Equity in earnings of affiliates	(5,050)	(260)	(7,899)
Increase (decrease) in retirement benefit costs	(9,080)	(19,325)	(32,844)
Increase (decrease) in director's retirement benefit costs	10,387	12,765	37,411
Increase (decrease) in allowance for employees' bonuses	(290,405)	(389,218)	83,145
Increase (decrease) in allowance for doubtful accounts	(891)	(154)	(25,528)
Increase (decrease) in allowance for special repair	7,800	7,800	31,000
Interest and dividend income	(12,335)	(31,432)	(152,309)
Interest expense	31,361	10,571	93,813
Loss on revaluation of foreign currency	(4,001)	(3,715)	(30,547)
Gain on sale of tangible fixed assets	(1,870)	(8)	(5,246)
Loss on disposal of tangible fixed assets	891	328	73,250
Loss on sale of tangible assets	31	—	1,142
Decrease (increase) in notes and accounts receivable, trade	428,817	712,314	(1,321,672)
Decrease (increase) in inventories	(73,819)	(53,964)	46,281
Increase (decrease) in notes and accounts payable, trade	355,689	15,963	1,296,612
Other	(482,267)	22,022	(497,789)
Subtotal	1,904,649	2,653,904	8,564,804
Interest and dividend income received	12,335	19,525	146,435
Interest expense paid	(31,765)	(9,082)	(95,584)
Income taxes paid	(213,418)	(1,842,812)	(1,298,863)
Net cash provided by operating activities	1,671,801	821,534	7,316,791

(Figures less than one thousand yen have been omitted.)

	1Q FY2006	1Q FY2007	(Reference) FY2006
	Thousands of yen	Thousands of yen	Thousands of yen
II. Cash flows from investing activities:			
Decrease in time deposits	—	—	1,000,000
Increase in time deposits	(84,576)	(137,826)	(540,539)
Payments for purchase of investment securities	(313,105)	—	(313,705)
Payments for acquisition of tangible fixed assets	(543,705)	(1,442,954)	(3,737,457)
Proceeds from sale of tangible fixed assets	2,874	19	7,911
Payments for purchase of intangible assets	(588)	(2,440)	(11,686)
Proceeds from the loan collected	1,182	—	—
Other	(6,670)	118	519
Net cash used in investing activities	(944,589)	(1,583,081)	(3,594,956)
III. Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(474,000)	125,520	(1,200,000)
Repayment of long-term debt	(570,988)	(326,815)	(2,048,597)
Repayment of corporate bonds	—	(200,000)	(25,000)
Acquisition of treasury stock	(1,089)	—	(2,283)
Payment by installments	(5,376)	—	(21,801)
Dividends paid	(445,333)	(509,128)	(442,860)
Dividends paid to minority interests	—	—	(19,893)
Other	—	(5,525)	—
Net cash provided by (used in) financing activities	(1,496,787)	(915,948)	(3,760,436)
IV. Effect of exchange rate changes on cash and cash equivalents	129,864	4,625	130,810
V. Net increase (decrease) in cash and cash equivalents during the term	(639,712)	(1,672,871)	92,208
VI. Cash and cash equivalents at beginning of year	12,180,451	12,272,659	12,180,451
VII. Cash and cash equivalents at end of year	11,540,739	10,599,788	12,272,659

(Figures less than one thousand yen have been omitted.)