

Summary information (third quarter report/consolidated)

OHARA INC.

September 20, 2007

Flash Report (Consolidated Basis)

Results for the third quarter 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

1. Performance

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

(1) Operating results

Third quarter ended July 31 (Figures in percentages denote the increase or decrease from the previous 3Q period)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q FY2007	21,140	8.0	5,298	(3.9)	5,893	4.9	3,671	1.3
3Q FY2006	19,568	-	5,511	-	5,618	-	3,625	-
Year ended Oct. 2006	27,761	-	7,552	-	7,821	-	5,146	-

	Net income per share	Net income per share after dilution
	Yen	Yen
3Q FY2007	144.27	-
3Q FY2006	284.92	-
Year ended Oct. 2006	404.29	-

(Notes) 1. Since we began disclosing quarterly results from the fiscal year ending October 31, 2006, we do not show year-on-year changes for the third quarter of the year ended October 31, 2006.

2. A 2-for-1 stock split was conducted on May 1, 2007.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q FY2007	55,593	44,280	78.8	1,721.66
3Q FY2006	52,758	38,190	71.6	2,968.44
Year ended Oct. 2006	55,742	40,308	71.5	3,132.95

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

(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
3Q FY2007	3,345	(4,415)	(1,790)	9,696
3Q FY2006	4,868	(3,190)	(3,316)	10,613
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. 2006 (forecast)	—	20.00	

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

3. Forecast for fiscal year ending October 31, 2007 [Reference]

The forecast for the third quarter is almost in line with plans, and we are not changing the forecast announced on December 21, 2006.

4. Others

(1) Important changes in subsidiaries during the term

(change in specified subsidiaries leading to a change in the scope of consolidation): No

(2) Simplified methods applied to accounting procedures: Yes

(3) Changes in accounting procedures from the latest fiscal year: Yes

(Note) For more details, please see Page 4, "4. Others" of "Qualitative information, financial statements, etc."

(Reference) Summary of non-consolidated basis

1. Performance

(1) Operating results

Third quarter ended July 31 (Figures in percentages denote the increase or decrease from the previous 3Q period)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q FY2007	15,721	0.7	3,119	(0.6)	3,962	5.7	2,414	5.7
3Q FY2006	15,617	-	3,139	-	3,749	-	2,284	-
Year ended Oct. 2006	21,723	-	4,204	-	4,894	-	3,032	-

	Net income per share	Net income per share after dilution
	Yen	Yen
3Q FY2007	94.89	-
3Q FY2006	179.57	-
Year ended Oct. 2006	238.30	-

(Notes) 1. Since we began disclosing quarterly results from the fiscal year ending October 31, 2006, we do not show year-on-year changes for the third quarter of the year ended October 31, 2006.

2. A 2-for-1 stock split was conducted on May 1, 2007.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q FY2007	45,927	35,024	76.3	1,376.28
3Q FY2006	45,793	32,037	70.0	2,517.79
Year ended Oct. 2006	47,655	33,117	69.5	2,602.63

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

2. Forecast for fiscal year ending October 31, 2007

The forecast for the third quarter is almost in line with plans, and we are not changing the forecast announced on December 21, 2006.

[Reference] Retroactive adjustment of per-share figures in association with a stock split

We conducted a 2-for-1 stock split on May 1, 2007 for the shares held by the shareholders listed or recorded on the register of shareholders and the register of real shareholders as of April 30, 2007. As a consequence, the total number of shares issued changed from 12,725,000 shares before the stock split to 25,450,000 shares after the stock split. The following is per-share information for the previous third quarter and the previous fiscal year if the stock split had been carried out at the beginning of the previous consolidated fiscal year (on November 1, 2005):

	3Q FY2006	Year ended Oct. 2006
Net income per share	142.46 yen	202.15 yen
Net assets per share	1,484.22 yen	1,566.48 yen

Diluted net income for the quarter or the fiscal year is not stated because there is no potential dilution.

*Explanation about proper use of business outlook and other special remarks

1. Forward-looking statements including business forecasts in this document are outlooks based on information currently available and certain assumptions that the Company deems reasonable. Hence, actual results may differ materially from the statements, depending on various factors.

[Qualitative information, financial statements, etc.]

1. Qualitative information on consolidated business results

A review of the domestic and overseas economies in the third quarter reveals continued moderate growth in the U.S. economy, despite a slowdown in housing investment and sluggish growth in capital expenditure. Economies in Europe were solid, aided by an expansion in domestic demand. In Asia, China sustained its impressive rate of growth, and other Asian countries were generally firm. The Japanese economy was strong overall, with capital spending remaining robust, backed by strong corporate earnings and growing personal spending linked to the improved employment environment.

In the optical equipment market, demand for single-lens reflex digital cameras and interchangeable lenses for digital cameras remained solid, while sales of lenses for compact cameras also rose. Demand for optical glass for semiconductor exposure apparatuses also climbed, backed by strong capital spending. In the information and telecommunications equipment market, hard disk drives once again enjoyed rising demand as storage capacity continued to be upgraded, although there was a temporary lull while manufacturers carried out inventory adjustment. Meanwhile, demand for special glass for exposure apparatuses for liquid crystal display manufacturing fell once manufacturers had completed a round of capital spending.

In this environment, the Group was committed to responding to climbing demand for optical glass products, including highly homogeneous glass materials for semiconductor exposure apparatuses and ball glass for digital cameras and for hard disk substrates. As a consequence, sales for the third quarter stood at ¥21,140 million (up 8.0% year on year). Operating income was ¥5,298 million (down 3.9%), reflecting falling unit selling prices associated with intensifying sales competition overseas as well as a rise in depreciation expenses with the addition of equipment. Ordinary profit was ¥5,893 million (up 4.9%), thanks to an exchange gain and a fall in interest costs linked to the reduction in interest-bearing debt. As a result, net income became ¥3,671 million (up 1.3%).

Results by business segment are as follows:

(Optical products)

Among optical pressings, the mainstays of the segment, demand for ball glass for compact digital cameras, etc. rose, although unit selling prices declined in the face of intensifying sales competition with other manufacturers. In optical blocks, demand for highly homogeneous glass materials for steppers rose, driven by continued strength in capital spending for semiconductor exposure apparatuses. Consequently, sales in the segment amounted to ¥15,970 million (rising 7.6%), and operating income was ¥4,619 million (up 3.7%).

(Information products)

Among disk products, the mainstays of the segment, demand for products for notebook computers and portable music players was firm, although there was a lull in demand for hard disk drives. Demand for special glass products experienced sluggish growth after liquid crystal panel manufacturers had completed a round of capital spending. As a result, sales in the segment were ¥5,169 million (increasing 9.5%), and operating income ¥679 million (down 35.8%).

2. Qualitative information on consolidated financial position

1) Change in consolidated financial position

Total assets at the end of the third period fell ¥149 million from the end of the previous term, to ¥55,593 million.

An increase in tangible fixed assets including buildings and machinery was more than offset by a fall in cash on hand and in banks because of income taxes paid and the repayment of interest-bearing debt. Total liabilities declined ¥4,120 million, to ¥11,313 million, mainly because payments made during the quarter reduced the balance of notes and accounts payable-trade and the payment of income taxes resulted in a decline in accrued income taxes. Net assets increased ¥3,971 million, to ¥44,280 million, mainly as a result of the recording of net income and a rise in foreign exchange adjustments. Consequently, the capital adequacy ratio rose 7.3 percentage points, to 78.8%.

2) Consolidated cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the third quarter stood at ¥9,696 million (falling ¥2,576 million from the end of the previous term). Income before income taxes was ¥5,866 million, as declines in notes and accounts receivable-trade, etc. were offset by a fall in cash through payments of notes and accounts payable-trade, income taxes paid, payments for the acquisition of tangible fixed assets, repayments of interest-bearing debt, and other factors.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,345 million.

While cash declined with income taxes paid, this was offset by income before income taxes of ¥5,866 million and an increase in cash associated with the decrease in notes and accounts receivable-trade.

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,415 million.

Payments for the acquisition of tangible fixed assets of ¥4,369 million was the main factor for this result.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,790 million.

The main factors were repayments of interest-bearing debt of ¥1,241 million and dividends paid of ¥508 million.

3. Qualitative information on the forecast of consolidated results

The consolidated and non-consolidated forecasts for the fiscal year ending October 31, 2007 that were announced on December 21, 2006 have not changed.

4. Others

(1) Important changes in subsidiaries during the term (change in specified subsidiaries leading to a change in the scope of consolidation)

Not applicable.

(2) Simplified methods applied to accounting procedures

A simplified method is applied to part of accounting criteria for allowances, corporate tax, etc.

(3) Changes in accounting procedures from the latest fiscal year

(Segment information)

Common costs in relation to the sales and management divisions in the business segment information of the submitting company were formerly allocated to each division in accordance with manufacturing costs, etc. However, the allotment method has been changed so that the costs are now allocated in accordance with sales, etc. This improves the effectiveness of segment information by properly reflecting business results.

5. Consolidated Financial Statement (Summary)

(1) Consolidated Balance Sheets (Summary)

At July 31

(Thousands of yen)

	3Q FY2006	3Q FY2007	Change		At October 31, 2006
	Amount	Amount	Amount	%	Amount
ASSETS					
I. Current assets:					
1. Cash on hand and in banks	10,734,420	9,017,375			11,354,001
2. Notes and accounts receivable, trade	8,164,462	8,430,309			9,248,917
3. Marketable securities	1,110,229	1,035,626			1,184,962
4. Inventories	4,957,326	5,197,110			5,054,741
5. Deferred tax assets	744,133	786,728			849,288
6. Other current assets	355,804	477,102			318,746
7. Less: allowance for doubtful accounts	(24,519)	(7,569)			(7,314)
Total current assets	26,041,857	24,936,683	(1,105,174)	(4.2)	28,003,342
II. Fixed assets:					
1. Tangible fixed assets:					
(1) Buildings and structures	3,602,245	4,232,541			3,653,772
(2) Machinery and vehicles	3,509,713	5,649,816			4,586,378
(3) Tools, furniture, and fixtures	7,970,222	8,359,318			7,840,099
(4) Land	355,179	380,171			362,459
(5) Construction-in-progress	1,220,066	1,402,448			676,427
Total tangible fixed assets	16,657,427	20,024,295	3,366,868	20.2	17,119,137
2. Intangible assets	61,413	52,232	(9,181)	(14.9)	59,445
3. Investments and other assets:					
(1) Investment securities	7,159,627	7,723,979			7,720,023
(2) Long-term deposit	2,500,000	2,500,000			2,500,000
(3) Deferred income taxes	62,275	55,195			57,182
(4) Others	275,614	301,427			283,707
Total investments and other assets	9,997,517	10,580,602	583,085	5.8	10,560,914
Total fixed assets	26,716,358	30,657,130	3,940,772	14.8	27,739,497
Total assets	52,758,215	55,593,814	2,835,598	5.4	55,742,840

At July 31

(Thousands of yen)

	3Q FY2006	3Q FY2007	Change		At October 31, 2006
	Amount	Amount	Amount	%	Amount
LIABILITIES					
I. Current liabilities:					
1. Notes and accounts payable, trade	3,337,009	2,610,118			3,837,302
2. Short-term borrowings	2,277,696	1,836,449			2,199,341
3. Corporate bond with a maturity of less than one year	225,000	25,000			225,000
4. Accrued income taxes	1,371,611	709,232			1,846,390
5. Deferred tax liabilities	36	3,036			2,398
6. Allowance for employees' bonuses	369,739	362,512			704,057
7. Allowance for directors' bonuses	37,800	52,122			109,700
8. Allowance for environmental measures	-	14,254			-
9. Account payable-nontrade	831,637	121,024			467,334
10. Other current liabilities	485,406	663,123			481,807
Total current liabilities	8,935,937	6,396,874	(2,539,062)	(28.4)	9,873,332
II. Long-term liabilities:					
1. Corporate bond	162,500	137,500			150,000
2. Long-term debt	1,763,905	723,348			1,429,625
3. Deferred tax liabilities	2,139,211	2,514,178			2,398,923
4. Accrued retirement benefits for employees	1,182,264	1,098,275			1,187,124
5. Accrued retirement benefits for directors and corporate auditors	207,554	258,684			217,187
6. Allowance for special repair	69,900	100,900			77,600
7. Long-term accrued expenses	105,102	82,850			99,577
8. Other long-term liabilities	870	870			870
Total long-term liabilities	5,631,307	4,916,606	(714,701)	(12.7)	5,560,908
Total liabilities	14,567,245	11,313,480	(3,253,764)	(22.3)	15,434,240
NET ASSETS					
I. Shareholders' equity:					
1. Capital stock	5,855,000	5,855,000			5,855,000
2. Capital surplus	7,930,785	7,930,785			7,930,785
3. Retained earnings	20,952,933	25,634,515			22,473,987
4. Treasury stock, at cost	(1,857)	(3,626)			(2,662)
Total shareholders' equity	34,736,861	39,416,674	4,679,813	13.5	36,257,109
II. Valuation and translation adjustments:					
1. Net unrealized holding gain on securities	3,439,674	3,774,674			3,772,325
2. Foreign exchange adjustment	(404,259)	622,569			(162,130)
Total valuation and translation adjustments	3,035,414	4,397,243	1,361,829	44.9	3,610,195
III. Minority interests	418,694	466,414	47,720	11.4	441,294
Total net assets	38,190,970	44,280,333	6,089,363	15.9	40,308,599
Total liabilities and net assets	52,758,215	55,593,814	2,835,598	5.4	55,742,840

(2) Consolidated Statements of Income (Summary)

Terms ended July 31

(Thousands of yen)

	3Q FY2006	3Q FY2007	Change		Year ended October 31, 2006
	Amount	Amount	Amount	%	Amount
I. Net sales	19,568,642	21,140,102	1,571,460	8.0	27,761,868
II. Cost of sales	10,926,028	12,198,170	1,272,142	11.6	15,643,434
Gross profit	8,642,613	8,941,932	299,318	3.5	12,118,433
III. Selling, general and administrative expenses	3,131,221	3,643,447	512,226	16.4	4,565,473
Operating income	5,511,392	5,298,484	(212,908)	(3.9)	7,522,960
IV. Non-operating income:	194,681	646,909	452,227	232.3	426,090
V. Non-operating expenses:	87,741	52,312	(35,429)	(40.4)	157,911
Ordinary profit	5,618,332	5,893,081	274,749	4.9	7,821,139
VI. Extraordinary gain:	1,922	67	(1,855)	(96.5)	5,246
VII. Extraordinary losses:	32,095	26,397	(5,697)	(17.8)	74,393
Income before income taxes	5,588,160	5,866,751	278,591	5.0	7,751,993
Income taxes	1,938,821	2,160,054	221,232	11.4	2,564,262
Minority interests (deducted)	23,819	35,314	11,494	48.3	41,158
Net income	3,625,518	3,671,382	45,864	1.3	5,146,572

(3) Consolidated Statements of Cash Flows

Terms ended July 31

(Thousands of yen)

	3Q FY2006	3Q FY2007	(Reference) FY2006
	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income taxes	5,588,160	5,866,751	7,751,993
Depreciation and amortization	872,395	1,164,260	1,290,607
Reversal of loss on impairment	-	-	(66,616)
Equity in earnings of affiliates	(7,152)	(5,909)	(7,899)
Increase (decrease) in retirement benefit costs	(36,616)	(96,350)	(32,844)
Increase (decrease) in director's retirement benefit costs	28,294	40,596	37,411
Increase (decrease) in allowance for employees' bonuses	(246,575)	(350,812)	83,145
Increase (decrease) in allowance for doubtful accounts	(7,232)	(232)	(25,528)
Increase (decrease) in allowance for special repair	23,300	23,300	31,000
Interest and dividend income	(105,461)	(150,670)	(152,309)
Interest expense	81,557	40,636	93,813
Gain on revaluation of foreign currency	(15,857)	(182,089)	(30,547)
Gain on sale of tangible fixed assets	(1,922)	(67)	(5,246)
Loss on disposal of tangible fixed assets	19,027	26,397	73,250
Loss on sale of tangible assets	67	-	1,142
Decrease (increase) in notes and accounts receivable, trade	(398,569)	1,152,594	(1,321,672)
Decrease (increase) in inventories	64,155	63,119	46,281
Increase (decrease) in notes and accounts payable, trade	863,255	(1,351,823)	1,296,612
Other	(780,835)	260,132	(497,789)
Subtotal	5,939,988	6,499,831	8,564,804
Interest and dividend income received	106,314	143,804	146,435
Interest expense paid	(79,745)	(52,432)	(95,584)
Income taxes paid	(1,098,318)	(3,245,875)	(1,298,863)
Net cash provided by operating activities	4,868,239	3,345,328	7,316,791

Terms ended July 31

(Thousands of yen)

	3Q FY2006	3Q FY2007	(Reference) FY2006
	Amount	Amount	Amount
II. Cash flows from investing activities			
Increase in time deposits	-	-	1,000,000
Decrease in time deposits	(514,428)	(66,702)	(540,539)
Payments for purchase of investment securities	(313,105)	(25)	(313,705)
Proceeds from sale of investment securities	450	-	-
Payments for acquisition of tangible fixed assets	(2,364,671)	(4,369,706)	(3,737,457)
Proceeds from sale of tangible fixed assets	3,873	29,645	7,911
Payments for purchase of intangible assets	(7,802)	(8,960)	(11,686)
Proceeds from the loan collected	2,205	-	-
Other	2,616	159	519
Net cash used in investing activities	(3,190,861)	(4,415,589)	(3,594,956)
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	(1,224,000)	(164,735)	(1,200,000)
Proceeds from long-term borrowings	-	100,000	-
Repayment of long-term debt	(1,590,776)	(964,390)	(2,048,597)
Repayment of corporate bonds	(12,500)	(212,500)	(25,000)
Acquisition of treasury stock	(1,478)	(963)	(2,283)
Payment by installments	(24,776)	(16,727)	(21,801)
Dividends paid	(442,595)	(508,699)	(442,860)
Dividends paid to minority interests	(20,757)	(22,246)	(19,893)
Net cash provided by (used in) financing activities	(3,316,884)	(1,790,262)	(3,760,436)
IV. Effect of exchange rate changes on cash and cash equivalents	72,857	284,010	130,810
V. Net increase (decrease) in cash and cash equivalents during the term	(1,566,649)	(2,576,512)	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	10,613,801	9,696,147	12,272,659