

Flash Report (Consolidated Basis)

Results for fiscal year ended October 31, 2008

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
 Contact: Takashi Nakajima, Director, Manager of Accounting Department
 Planned date for ordinary general meeting of shareholders: January 29, 2009
 Planned date for commencement of dividend payments: January 30, 2009
 Planned date for submission of securities report: January 30, 2009

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

1. Performance

(1) Operating results

Years ended October 31

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

	Net sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2008	30,574	8.2	6,372	(9.9)	6,458	(12.8)
2007	28,248	1.8	7,074	(6.3)	7,403	(5.3)

	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	%	%	%
2008	3,915	(18.3)	158.19	---	9.0	11.1	20.8
2007	4,790	(6.9)	188.19	---	11.5	13.2	25.0

(Reference): Equity in earnings of affiliates: Year ended October 31, 2008: ¥1 million
 Year ended October 31, 2007: ¥7 million

(2) Financial position

At October 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2008	60,394	44,214	71.9	1,784.50
2007	56,323	44,192	77.7	1,718.90

(Reference): Shareholders' equity: Year ended October 31, 2008: ¥43,409 million
 Year ended October 31, 2007: ¥43,744 million

(3) Cash flows

Years ended October 31

	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
2008	4,652	(4,272)	(3,243)	6,208
2007	4,834	(5,825)	(2,087)	9,160

2. Dividends

(Base date)	Dividend per stock					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	End of 1Q	End of interim period	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Oct. 2007	---	00.00	---	25.00	25.00	636	13.3	1.5
Year ended Oct. 2008	---	00.00	---	25.00	25.00	608	15.8	1.4
Year ending Oct. 2009 (forecast)	---	00.00	---	15.00	15.00	---	26.6	---

3. Forecast for fiscal year ending October 31, 2009

(Percentages indicate year-on-year changes)

	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
Interim period	10,500	(29.4)	380	(89.1)	420	(88.2)	270	(85.7)	11.10
Full-year	26,300	(14.0)	1,910	(70.0)	2,130	(67.0)	1,370	(65.0)	56.32

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 10, "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.: Yes

2) Change other than 1): Yes

(3) Number of shares issued (common stock)

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

Year ended October 31, 2008: 25,450,000 Year ended October 31, 2007: 25,450,000

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

Year ended October 31, 2008: 1,124,089 Year ended October 31, 2007: 1,423

(Reference) Summary of non-consolidated basis

1. Performance

(1) Operating results

Years ended October 31

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

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2008	24,688	14.0	3,700	(10.3)	4,790	(6.5)	2,877	(11.5)
2007	21,655	(0.3)	4,126	(1.8)	5,121	4.6	3,250	7.2

	Net income per share	Net income per share after dilution
	Yen	Yen
2008	116.26	---
2007	127.71	---

(2) Financial position

At October 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2008	43,753	34,087	77.9	1,401.29
2007	46,293	35,393	76.5	1,390.78

(Reference): Shareholders' equity: Year ended October 31, 2008: ¥34,087 million
Year ended October 31, 2007: ¥35,393 million

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

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.

1. Operating Results

(1) Analysis of operating results

1) Consolidated business results for the fiscal year under review

A review of the domestic and overseas economies in the fiscal year under review reveals radical changes in the global economic environment, including a global chain of financial instability triggered by the subprime loan problem in the United States and the appreciation of resource and food prices caused by the inflow of investment funds and rising demand in emerging economies. In the United States, effects on the real economy emerged as personal spending and housing investment declined sharply under the effects of credit uncertainty, which worsened with the failures of major financial institutions. Economies entered recession in Europe as well, as factors including sluggish personal spending and reduced exports led to production adjustments in the second half of the fiscal year under review. Economies also slowed in Asian countries in general, with China showing signs of business deceleration, including slower export growth. The Japanese economy decelerated further under the effects of weaker corporate earnings and lower exports attributable to the steep appreciation of the yen. Capital expenditures and employment conditions in Japan worsened too, as a result of an emerging impression of excessive production.

In the optical equipment market, demand for single-lens reflex digital cameras remained strong, and demand for interchangeable lenses for digital cameras increased. A downward price trend for compact digital cameras strengthened under the effects of weaker demand. Demand for optical glass for semiconductor exposure apparatuses also slumped due to capital expenditure controls. In the information and telecommunications equipment market, a downtrend was observed in the selling prices of hard disk drives, but results remained strong nonetheless, thanks to steady demand for notebook PCs and application expansion. Demand for special glass for exposure apparatuses for LCDs recovered from the fall recorded in the previous fiscal year.

The average exchange rates of the U.S. dollar and the euro against the yen were 106.40 yen and 159.15 yen, respectively, in the fiscal year under review, with the yen remaining approximately 10.4% and 0.2% stronger against these currencies in comparison with the previous fiscal year.

In this environment, the Ohara Group built up facilities in response to increased demand for single-lens reflex digital cameras, optical glass products for interchangeable digital camera lenses, and hard disk substrates. As a consequence, sales for the fiscal year under review stood at ¥30,574 million, an increase of 8.2% from the previous fiscal year.

The ratio of gross profit to sales fell 4.1 percentage points year on year, to 38.6%, with improved production efficiency unable to offset falling unit selling prices of products and sharp rises in raw material costs, despite continued Group-wide efforts to promote cost reduction activities. Operating income was ¥6,372 million (down 9.9% year on year), reflecting increased costs, including freight and research and development expenses. Ordinary profit came to ¥6,458 million (down 12.8% year on year) because of a foreign exchange loss attributable to the appreciation of the yen, despite the improved balance of financial expenses. Net income totaled ¥3,915 million (down 18.3% year on year) as a result of a loss on disposal of fixed assets and income taxes for prior years recorded as extraordinary losses.

Results by business segment are as follows:

(1) Optical products

Sales of optical pressings, core products for this segment, reached ¥18,591 million (up 11.4% year on year), reflecting greater demand for lens blanks for digital cameras, centered on single-lens reflex models and interchangeable lenses. Sales of optical blocks amounted to ¥3,499 million (down 24.9% year on year) as a result of weaker demand for highly homogeneous glass materials for semiconductor exposure apparatuses, attributable to capital expenditure controls by manufacturers.

As a result, sales for the segment came to ¥22,091 million (up 3.5% year on year), and operating income was ¥4,226 million (down 32.2% year on year).

(2) Information products

Sales of disk products, core products for this segment, amounted to ¥5,606 million (up 39.5% year on year), attributable to strong demand for hard disk drives for applications centered on notebook PCs, in spite of the effects of falling unit selling prices. Sales of special glass products were ¥2,877 million (a slight year-on-year decrease), owing to slower demand for polishing processing products, despite recovered demand for ultra low expansion glass-ceramics for liquid crystal exposure devices.

As a result, sales in the segment reached ¥8,483 million (up 23.0% year on year), and operating income jumped to ¥2,145 million (up 156.5% year on year).

A breakdown of results by geographical segment:

(1) Japan

In optical products operations, demand for optical pressings for digital cameras rose, centered on single-lens reflex models and interchangeable lenses, despite weaker demand for highly homogeneous glass materials for semiconductor exposure apparatuses and optical blocks in specified shapes. In the area of information products, demand for hard disk substrates grew, centered on those for notebook PCs, despite reduced demand for special polished products. Overall, sales for Japan came to ¥17,512 million (up 11.7% year on year). Operating income amounted to ¥3,694 million (down 12.7% year on year) on the back of factors including higher raw material costs, despite cost-cutting initiatives that sought to reduce supplies and repair expenses.

(2) Asia

In optical products operations, demand for lens blanks for digital cameras remained strong, centered on interchangeable lenses. Demand also expanded for ball lenses for compact digital cameras. As a result, sales for Asia amounted to ¥9,925 million (up 10.7% year on year). Meanwhile, operating income stood at ¥1,673 million (a slight year-on-year decrease), owing to factors including falling unit selling prices caused by intensified competition with competitors and the appreciation of raw material costs, despite the advantages of scale that resulted from increased sales by production subsidiaries.

(3) North America

In optical products operations, sales of highly homogeneous glass materials for semiconductor exposure apparatuses declined. In the information products segment, demand for special polished products plunged as well. As a result, sales for North America came to ¥1,162 million (down 14.7% year on year), and operating income was ¥223 million yen (down 15.2% year on year).

(4) Europe

In optical products operations, demand for highly homogeneous glass materials for semiconductor exposure

apparatuses fell due to capital expenditure controls. As a result, sales for Europe were ¥1,973 million (down 12.0% year on year), and operating income stood at ¥509 million (down 24.9% year on year).

Sales by geographical segment above are sales to external customers.

2) Outlook for the next fiscal year

Looking at the business environment for the Ohara Group, the financial instability that worsened with the failures of major financial institutions in the United States is expected to move toward convergence, thanks to aggressive action taken by various countries. However, there is concern that the financial crisis may have further repercussions on the real economy. Business conditions are anticipated to remain uncertain, with the currency exchange rate predicted to stay unstable and favor a strong yen, despite a forecast decline in the prices of resources and energy from the high levels they reached at one stage.

In the optical device and information product sectors in which the Group operates, the competitive advantage of leading Japanese manufacturers is expected to continue, supported by their capabilities in technological development. Nonetheless, the Group expects that it will be forced to aim for further cost and quality improvements in the face of intensifying competition with competitors in China and other Asian countries, given declining domestic demand and the erosion of competitiveness on the back of the strong yen.

As a consequence, for the next fiscal year we expect consolidated sales of ¥26,300 million (down 14.0% year on year), operating income of ¥1,910 million (down 70.0%), ordinary profit of ¥2,130 million (down 67.0%), and net income of ¥1,370 million (down 65.0%).

The Group assumes the exchange rate of the yen to be 92 yen against the U.S. dollar and 120 yen against the euro for the next fiscal year.

(2) Financial analysis

1) Analysis of financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥60,394 million (up 7.2% from the end of the previous fiscal year). The principal factors included additional trade assets belonging to newly consolidated subsidiaries and the acquisition of tangible fixed assets, which offset a fall in cash on hand and in banks and a decrease in investment securities.

Current assets at the end of the fiscal year under review were ¥27,851 million (up 3.9% from the end of the previous fiscal year). The major causes were an increase of ¥2,078 million in notes and accounts receivable-trade and a rise of ¥3,181 million in inventories under the effects of newly consolidated subsidiaries, offsetting a fall of ¥4,246 million in cash on hand and in banks, due to acquisition of tangible fixed assets and income taxes paid.

Fixed assets at the end of the fiscal year under review came to ¥32,542 million (up 10.3% from the end of the previous fiscal year). The result mainly reflected increases in tangible fixed assets, including ¥716 million in buildings and structures, ¥2,807 million in machinery and vehicles, and ¥2,174 million in tools, furniture and fixtures. These increases in tangible fixed assets resulted primarily from the upgrade of production facilities at the Company and its overseas subsidiaries in response to rising demand for products. In investments and other assets, investment securities fell by ¥3,144 million because of a valuation loss based on the market value at the end of the period.

Current liabilities at the end of the fiscal year under review were ¥13,221 million (up 66.6% from the end of the previous fiscal year). Key factors behind the result were an increase of ¥1,469 million in notes and accounts payable-trade and growth of ¥3,479 million in short-term borrowings, attributable to factors including additional liabilities of newly consolidated subsidiaries, which offset a decline of ¥222 million in accrued income taxes.

Long-term liabilities at the end of the fiscal year under review stood at ¥2,958 million (down 29.5% from the end of the previous fiscal year). Major causes were a decrease of ¥1,255 million in deferred tax liabilities due to factors including a fall in net unrealized holding gain on securities, and a decline of ¥448 million in long-term debts and corporate bonds as a result of loan repayments.

Net assets at the end of the fiscal year under review amounted to ¥44,214 million (a slight increase from the end of the previous fiscal year). The result reflected an increase of ¥3,447 million in retained earnings as a result of the posting of net income of ¥3,915 million, despite a decrease of ¥2,002 million in investment securities caused by a valuation loss based on the market value at the end of the period, and an increase of ¥1,544 million in treasury stocks as a result of stock acquisition.

2) Analysis of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review decreased by ¥2,952 million yen from the end of the previous fiscal year, to ¥6,208 million (down 32.2%). Income before income taxes of ¥6,391 million (down 13.2% from the end of the previous fiscal year) and an increase in notes and accounts payable-trade were offset by payments for increased inventories, income taxes paid, payments for acquisition of tangible fixed assets, repayments of short-term borrowings and long-term debt and other factors. Consequently, cash fell ¥6,208 million (32.2%) 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 ¥4,652 million (down 3.8%).

Major factors behind the cash inflow included income before income taxes of ¥6,391 million (down 13.2% year on year) and payments of ¥1,173 million on increased inventories (compared with expenditure of ¥26 million in the previous fiscal year), despite an increase of ¥1,994 million in depreciation and proceeds from increased notes and accounts payable-trade of ¥711 million (compared with payments of ¥1,020 million on notes and accounts in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities was ¥4,272 million (a fall of 26.7%).

The cash outflow resulted primarily from payments of ¥5,478 million on the acquisition of tangible fixed assets (up 24.0% year on year), despite proceeds of ¥2,466 million from the redemption of time deposits (compared with proceeds of ¥79 million in the previous fiscal year).

Cash flows from financial activities

Net cash used in financial activities was ¥3,243 million (an increase of 55.4%).

The main factors were repayments of long-term debt of ¥938 million yen (compared with repayments of ¥1,302 million in the previous fiscal year) and payments of ¥1,544 million for the acquisition of treasury stocks.

Changes in cash flow-related indicators of the Group are as follows.

	FY 2005	FY 2006	FY 2007	FY 2008
Equity ratio (%)	68.8	71.5	77.7	71.9
Market value-based equity ratio (%)	125.9	134.7	93.3	35.6
Ratio of interest-bearing debt to cash flow	142.7	54.7	51.1	120.4
Interest coverage ratio	21.5	76.5	93.2	141.7

(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 by multiplying the closing stock price at the end of the period by the number of shares issued (excluding treasury stocks) at the end of the period.
- * 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.

(3) Principle policy on the distribution of profits and dividends in fiscal 2008 and fiscal 2009

Our basic policy is to distribute consistent and stable profits to shareholders while securing sufficient retained earnings to strengthen the management base and expanding operations. Under this policy, we seek to pay dividends in accordance with business performance, taking dividend on equity ratio (DOE) and dividend payout ratio on a consolidated basis into consideration.

For the fiscal year under review, we will propose a common dividend of ¥25 at the 100th ordinary general meeting of shareholders to be held on January 29, 2009.

For the next fiscal year, the Company plans to pay a common dividend of ¥15 based on its prediction that the business environment will be extremely difficult.

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.

(4) Business risks

The following are the main business risks that could have impact on the operating results and financial conditions of the Group.

The future risks described herein are based on our judgment as of the end of the fiscal year under review.

1) Dependence on a certain business

The Group is heavily dependent on the optical products business, which accounts for approximately 72% of net sales. In the optical products segment, despite the continued expansion of replacement demand associated with upgraded functions of digital cameras and the sustained growth in demand for single-lens reflex cameras, sales and profit margins could decline, reflecting the downscaling of the camera market due to business slowdown and intensifying

competition with competitors in Japan and overseas. We will continue our efforts to solidify the pillars of our optical products operations by introducing operational reforms with an emphasis on customer satisfaction in quality, price and delivery time, and by developing a highly efficient production organization. At the same time, we will expand our information products business by bolstering the product lineup. The operating results and financial conditions of the Group could be affected, however, subject to the success of these endeavors.

2) Dependence on certain customers

In the information products operations, although the Group provides the information and communications market with highly specialized glass products, dependence on certain customers is high because of the high degree of expertise and specialties of these products. Although we remain committed to attracting new customers and continuing research and development in new areas, the business results and financial conditions of the Group could be affected if orders from the certain customers decline substantially.

3) Changes in foreign exchange rates

The Group's production and sales activities are global, centering on Asian countries, and these activities involve foreign currency transactions. As a consequence, changes in foreign exchange rates could have an impact on results. Although we hedge these risks using forward exchange contracts and other instruments, it is not possible to eliminate all risks. A sharp appreciation in the yen could have an impact on the business results and financial conditions of the Group as it would lower the price competitiveness of its products.

4) Changes in interest rates

The balance of interest-bearing debt of the Group at the end of the period under review was ¥5,601 million. Interest-bearing debt grew temporarily under the effects of newly consolidated subsidiaries. However, repayment is progressing steadily. Although the Group will continue to reduce interest-bearing debt to improve its financial strength, rapid changes in the interest rate environment and the financial market could have an adverse effect on the business results and financial conditions.

5) Risks relating to overseas business operations

The Group operates businesses in overseas markets, mostly in Asia, and overseas sales account for approximately 54% of consolidated sales. Operations in overseas markets involve various risks including unexpected changes in laws and regulations, the imposition of taxes due to revisions to the tax law and transfer price taxation, unfavorable political and economic developments, difficulty in hiring and securing personnel, the impact of changes in foreign exchange rates on results, and social disturbances due to terrorism, wars and other factors. The occurrence of any of these risks could have an impact on the business results and financial conditions of the Group.

6) Risks relating to litigation

The Group could become a subject of a lawsuit, dispute or any other legal proceeding in its business operations in Japan and overseas. Although the Group was not party to any lawsuit with the potential to have a material impact on its business during the period under review, litigation in the future could have an adverse effect on the results and financial conditions of the Group.

7) Risks relating to major shareholding companies

(Seiko Holdings Corporation)

Seiko Holdings Corporation is the largest shareholder of the Company (with a shareholding of 32.4% as of the end of October 2008), and the Company is an equity-method affiliate of Seiko Holdings Corporation. Seiko Holdings

Corporation is also one of the "Other related companies" of the Company.

Although the Company currently has two part-time directors and one part-time corporate auditor from the Seiko Holdings Group, it did not have any business transactions with Seiko Holdings Corporation in the fiscal year ended October 31, 2007 and the fiscal year ended October 31, 2008.

Meanwhile, the Company held 256,307 shares in Seiko Holdings Corporation as of the end of October 2008 (a shareholding of 0.2%) for the purpose of strengthening its ties with the Seiko Holdings Group in the future.

Although the Company expects Seiko Holdings Corporation to continue to play a role as a stable shareholder and strengthen its relationship, the results and financial conditions of the Company could be affected if it is unable to maintain a favorable relationship.

(Canon Inc.)

Canon Inc. is the second largest shareholder of the Company (a shareholding of 18.4% as of the end of October 2008), and the Company is an equity-method affiliate of Canon Inc., while Canon Inc. is one of the "Other related companies" of the Company.

The Company currently has one part-time director and one part-time corporate auditor from Canon Inc. Transactions with Canon Inc. in the fiscal year ended October 31, 2007 and the fiscal year ended October 31, 2008 are as described in "Transactions with related parties." Terms and conditions of the transactions are the same as those for general transactions, and no conflict of interest or other issue has arisen.

Meanwhile, the Company held 729,658 shares in Canon Inc. as of the end of October 2008 (a shareholding of 0.05%) for the purpose of maintaining and strengthening the relationship with the Canon Group in the future.

Although the Company expects Canon Inc. to continue to play a role as a stable shareholder and strengthen the relationship, the results and financial conditions of the Company could be affected if it is unable to maintain a favorable relationship.

8) Risks relating to raw materials

As raw materials used by the Group include those that can be obtained from a limited number of manufacturers or production areas, production of the Group could be interrupted if it has difficulty in obtaining the materials it needs. Prices of raw materials could also rise, subject to factors such as the production status, foreign exchange rates and market conditions, which could influence the business results and financial conditions of the Group.

2. Business Overview

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

The Group (the Company and consolidated subsidiaries; hereinafter the same applies) consists of ten consolidated subsidiaries. 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 consolidated subsidiaries 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.

Ohara Optical (Hong Kong) Ltd., a subsidiary of the Company, transferred all equities it had held in Unique Ohara Optical Co., Ltd. to U-BEST TRADING INC. on March 19, 2008. With this step, Unique Ohara Optical Co., Ltd. left the scope of our equity method application.

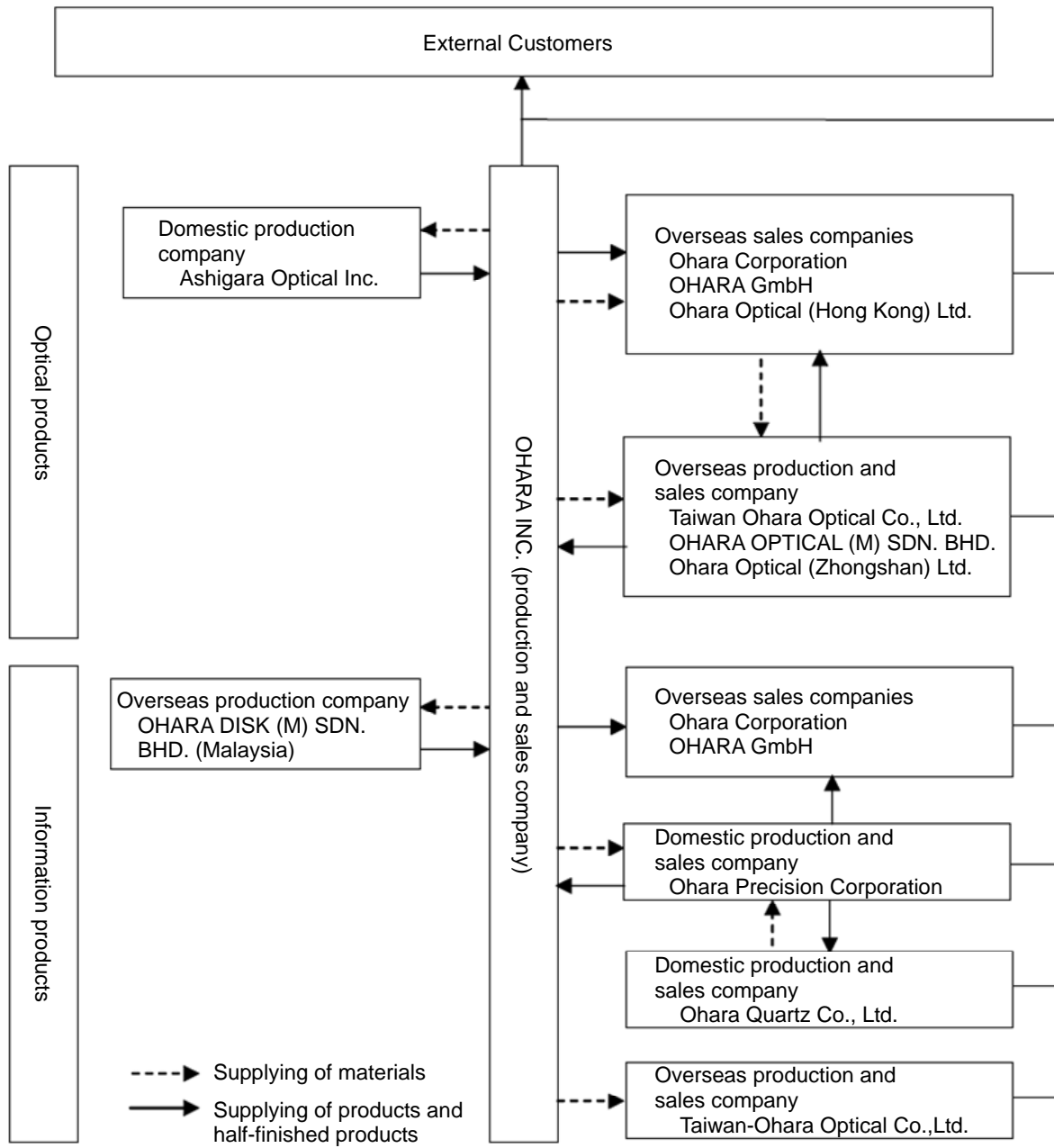
(2) Information products

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.

The Company acquired 71% of the outstanding shares of Ohara Quartz Co., Ltd., a company established through the spin-off of the quartz business division of Sumikin Ceramics and Quartz Co., Ltd., a subsidiary of Sumitomo Metal Industries, Ltd., on July 1, 2008. As a result of this action, Ohara Quartz Co., Ltd. became a consolidated subsidiary of the Company.

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.
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) Ohara Quartz Co., Ltd.

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



(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.

From a medium-and long-term perspective, the Group has recently established the following long-term vision, which serves as the guidelines for business administration:

With high aspirations for contributing to the improvement of mankind through technological advances, we will provide high quality, cutting-edge materials for use in the optical, electronics, and environmental/energy fields worldwide. Working closely with our customers, we will continuously pursue innovation and become the "Company that Fulfills Dreams."

The Group has adopted the following basic management policies for achieving specific goals set under this long-term vision.

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, so that 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 are aiming to develop a rock-solid management organization that withstands environmental change by investing aggressively in fields where future growth can be expected and taking other steps that will become possible by overcoming these challenges and improving cash flows.

2) Launching new products

With the rise of Chinese manufacturers, the price of general optical glass is declining. In response, the Group will launch highly advanced materials that meet the needs of customers, and it will offer high value-added products that explore the potential of optical glass, in addition to upgrading its glass molding technologies. We will also focus our efforts on the environmental/energy fields where further growth can be expected, including photovoltaic power generation.

3) Internal 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 develop a strong human resources system based on a balanced performance evaluation program to motivate our employees. At the same time, we will focus on training personnel capable of detecting changes with sensitivity, acting swiftly and taking on challenges without fear of failure.

- Corporate culture reform

The Group seeks to foster a culture that attracts people with diverse strengths and encourages them to create new products on an ongoing basis with a sense of self-reliance and precision. Our officers and managerial-level staff will take the lead in ensuring an awareness of compliance at all levels of the Group and in setting examples for employees. Through these endeavors, the Group aims to create a work environment that gives employees and their families a sense of belonging and contentment.

(2) Target management indicators

The Group has reached the conclusion that with the economic conditions undergoing such radical changes, it is impossible at this stage to forecast the period of business recovery in the next and subsequent fiscal years through its initiative for drafting strategies for the next medium-term management plan based on its medium- to long-term management policies. Accordingly, the Group has decided to announce its quantitative targets as soon as they are finalized.

The achievement status of the management indicators adopted as targets in the medium-term management plan that concluded in the fiscal year ended October 2008 is as follows.

Target indicators	Results for the year ended October 2008
Sales of at least ¥28.6 billion	Sales of ¥30.5 billion
Ordinary profit of at least ¥7.4 billion	Ordinary profit of ¥6.4 billion
ROA (return on assets) of at least 10%	ROA of 11.1%
Ratio of interest-bearing debt to total assets of no more than 10%	Ratio of interest-bearing debt to total assets of 9.3%

The Group was able to achieve target indicators for sales, ROA and the ratio of interest-bearing debt to total assets. Regrettably, however, it failed to achieve the target indicator for ordinary profit owing to factors including the effects of higher raw material prices.

(3) Medium-to long-term management strategies

In developing the three-year medium-term management 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 invest aggressively in new business fields where future growth can be expected.

- Customers' perspective / adding high value to products

Introduce distinctive materials to the market that meet the needs of customers, and propose new values to them.

- Perspective of business processes / introducing new business fields

Strengthen operations in the environmental/energy fields, in addition to the optical and electronics fields.

- Perspective of learning and growth / reforming corporate culture

Create a free and generous corporate culture, and train personnel capable of sustaining development and undertaking new businesses.

(4) Key management issues

Looking at the business environment, the financial instability that worsened on the back of the failures of major U.S. financial institutions is anticipated to move toward convergence, thanks to constructive measures taken by various countries. However, there is concern that the crisis may have further effects on the real economy. Prospects for the future are expected to remain uncertain, with the currency exchange rate forecast to remain unstable and favor a strong yen, in spite of a downward trend in the prices of resources and energy that were appreciating at one stage.

In the optical device and information equipment sectors in which the Group operates, leading Japanese manufacturers are set to maintain their competitive advantage, supported by their impressive capabilities in technological development. However, the Group is expected to find itself in greater competition with companies in China and other countries in Asia under difficult operating conditions, including reduced domestic demand and the erosion of competitiveness caused by the strong yen. The intensified competition is anticipated to create a situation that forces the Group to take further steps to reduce costs and improve quality.

In these adverse economic conditions, the Group aims to develop a rock-solid management organization that will withstand environmental changes, and to prepare itself fully for future leaps by streamlining production, promoting comprehensive cost reduction and investing aggressively in fields where future growth can be expected. The Group will also reform its personnel systems to secure human resources capable of sustaining its development. Moreover, the Group will strengthen its internal control systems that support corporate governance in a bid to fulfill its corporate social responsibility and contribute to society.

We ask our shareholders for their continued support.

Consolidated Financial Statement

CONSOLIDATED BALANCE SHEETS

At October 31

(Thousands of yen)

	2007		2008		Change from the previous year
	Amount	%	Amount	%	Amount
ASSETS					
I. Current assets:					
1. Cash on hand and in banks	10,520,738		6,274,569		(4,246,168)
2. Notes and accounts receivable, trade	8,935,617		11,013,864		2,078,246
3. Marketable securities	1,016,636		704,375		(312,261)
4. Inventories	5,125,849		8,306,924		3,181,075
5. Deferred tax assets	775,022		799,822		24,800
6. Other current assets	445,690		764,188		318,497
7. Less: allowance for doubtful accounts	(12,692)		(12,087)		605
Total current assets	26,806,862	47.6	27,851,657	46.1	1,044,795
II. Fixed assets:					
1. Tangible fixed assets:					
(1) Buildings and structures	7,932,331		9,457,589		
Accumulated depreciation and amortization	3,514,229		4,323,064		
	4,418,102		5,134,525		716,423
(2) Machinery and vehicles	13,875,113		21,479,967		
Accumulated depreciation and amortization	7,427,836		12,224,715		
	6,447,276		9,255,252		2,807,975
(3) Tools, furniture, and fixtures	9,444,592		11,891,534		
Accumulated depreciation and amortization	1,110,448		1,383,349		
	8,334,143		10,508,184		2,174,040
(4) Land	412,202		407,732		(4,470)
(5) Construction-in-progress	731,758		1,017,599		285,840
Total tangible fixed assets	20,343,484	36.1	26,323,294	43.6	5,979,810
2. Intangible assets	50,544	0.1	69,252	0.1	18,707
3. Investments and other assets:					
(1) Investment securities	6,938,870		3,794,008		(3,144,862)
(2) Long-term deposit	1,800,000		1,800,000		---
(3) Deferred income taxes	66,785		70,527		3,742
(4) Others	317,284		485,461		168,176
Total investments and other assets	9,122,940	16.2	6,149,997	10.2	(2,972,943)
Total fixed assets	29,516,969	52.4	32,542,544	53.9	3,025,574
Total assets	56,323,832	100.0	60,394,202	100.0	4,070,369

At October 31

(Thousands of yen)

	2007		2008		Change from the previous year
	Amount	%	Amount	%	Amount
LIABILITIES					
I. Current liabilities:					
1. Notes and accounts payable, trade	2,714,396		4,183,570		1,469,173
2. Short-term borrowings	1,831,520		5,310,907		3,479,387
3. Corporate bond with a maturity of less than one year	25,000		125,000		100,000
4. Accrued income taxes	1,040,613		818,357		(222,256)
5. Deferred tax liabilities	---		6,338		6,338
6. Allowance for employees' bonuses	648,872		736,433		87,560
7. Allowance for directors' bonuses	68,499		68,484		(14)
8. Account payable-nontrade	977,983		1,306,098		328,114
9. Allowance for environmental measures	15,000		---		(15,000)
10. Other current liabilities	614,775		666,225		51,449
Total current liabilities	7,936,661	14.1	13,221,416	21.9	5,284,754
II. Long-term liabilities:					
1. Corporate bond	125,000		---		(125,000)
2. Long-term debt	489,525		165,739		(323,785)
3. Deferred tax liabilities	2,126,331		871,011		(1,255,320)
4. Accrued retirement benefits for employees	1,114,321		1,029,850		(84,470)
5. Accrued retirement benefits for directors and corporate auditors	273,367		283,409		10,042
6. Allowance for special repair	10,800		46,400		35,600
7. Allowance for environmental measures	---		27,973		27,973
8. Long-term accrued expenses	54,146		30,498		(23,647)
9. Negative goodwill	---		502,688		502,688
10. Other long-term liabilities	870		870		---
Total long-term liabilities	4,194,361	7.4	2,958,441	4.9	(1,235,920)
Total liabilities	12,131,023	21.5	16,179,857	26.8	4,048,834

At October 31

(Thousands of yen)

	2007		2008		Change from the previous year
	Amount	%	Amount	%	Amount
NET ASSETS					
I. Shareholders' equity:					
1. Capital stock	5,855,000	10.4	5,855,000	9.7	---
2. Capital surplus	7,930,785	14.1	7,930,785	13.1	---
3. Retained earnings	26,695,657	47.4	30,143,224	49.9	3,447,566
4. Treasury stock, at cost	(3,752)	(0.0)	(1,548,610)	(2.5)	(1,544,857)
Total shareholders' equity	40,477,690	71.9	42,380,399	70.2	1,902,708
II. Valuation and translation adjustments:					
1. Net unrealized holding gain on securities	3,308,633	5.9	1,306,024	2.2	(2,002,608)
2. Foreign exchange adjustment	(41,584)	(0.1)	(276,779)	(0.5)	(235,194)
Total valuation and translation adjustments	3,267,049	5.8	1,029,245	1.7	(2,237,803)
III. Minority interests	448,069	0.8	804,700	1.3	356,630
Total net assets	44,192,809	78.5	44,214,345	73.2	21,535
Total liabilities and net assets	56,323,832	100.0	60,394,202	100.0	4,070,369

CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31

(Thousands of yen)

	2007		2008		Change from the previous year
	Amount	%	Amount	%	Amount
I. Net sales	28,248,607	100.0	30,574,775	100.0	2,326,167
II. Cost of sales	16,173,743	57.3	18,758,137	61.4	2,584,394
Gross profit	12,074,864	42.7	11,816,637	38.6	(258,226)
III. Selling, general and administrative expenses	5,000,508	17.7	5,444,615	17.8	444,106
Operating income	7,074,355	25.0	6,372,022	20.8	(702,333)
IV. Non-operating income:					
1. Interest income	117,556		123,081		
2. Dividend income	106,112		120,295		
3. Rental fee	10,831		9,713		
4. Gain on revaluation of foreign currency	36,057		---		
5. Equity in earnings of affiliates	7,359		1,267		
6. Insurance returns	---		128,218		
7. Other non-operating income	130,197		139,665		
	408,115	1.5	522,242	1.7	114,126
V. Non-operating expenses:					
1. Interest expense	49,846		32,296		
2. Loss on devaluation of inventory	15,587		---		
3. Exchange loss	---		349,132		
4. Other non-operating expenses	13,914		54,690		
	79,347	0.3	436,119	1.4	356,771
Ordinary profit	7,403,123	26.2	6,458,144	21.1	(944,978)
VI. Extraordinary gain:					
Gain on sale of tangible fixed assets	895		2,597		
	895	0.0	2,597	0.0	1,702
VII. Extraordinary losses:					
1. Loss on sale of tangible fixed assets	---		16,161		
2. Loss on disposal of tangible fixed assets	36,736		52,702		
	36,736	0.1	68,863	0.2	32,127
Income before income taxes	7,367,282	26.1	6,391,878	20.9	(975,403)
Income taxes	2,434,647		2,121,835		
Income taxes for previous years	---		256,502		
Income tax adjustment	111,476		82,370		
	2,546,123	9.0	2,460,708	8.0	(85,414)
Minority interests (deducted)	30,615	0.1	15,474	0.1	(15,140)
Net income	4,790,543	17.0	3,915,695	12.8	(874,848)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31

(Thousands of yen)

	2007	2008	Change from the previous year
	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income taxes	7,367,282	6,391,878	
Depreciation and amortization	1,558,038	1,994,564	
Equity in earnings of affiliates	(7,359)	(1,267)	
Increase (decrease) in retirement benefit costs	(147,269)	(94,888)	
Increase (decrease) in director's retirement benefit costs	56,554	12,516	
Increase (decrease) in allowance for employees' bonuses	(59,005)	21,126	
Increase (decrease) in allowance for doubtful accounts	5,363	(401)	
Increase (decrease) in allowance for special repair	(66,800)	35,600	
Increase (decrease) in allowance for environmental measures	15,000	(15,000)	
Interest and dividend income	(223,669)	(243,377)	
Interest expense	49,846	32,296	
Loss (gain) on revaluation of foreign currency	(101,750)	41,960	
Gain on sale of tangible fixed assets	(895)	(2,597)	
Loss on disposal of tangible fixed assets	36,736	52,702	
Loss on sale of tangible assets	---	16,161	
Decrease (increase) in notes and accounts receivable, trade	360,520	(416,918)	
Decrease (increase) in inventories	(26,866)	(1,173,876)	
Increase (decrease) in notes and accounts payable, trade	(1,020,768)	711,102	
Other	179,353	(303,892)	
Subtotal	7,974,310	7,057,690	(916,620)
Interest and dividend income received	220,500	244,504	
Interest expense paid	(51,877)	(32,834)	
Insurance claims received	---	69,068	
Income taxes paid	(3,308,664)	(2,686,201)	
Net cash provided by operating activities	4,834,269	4,652,227	(182,041)

Year ended October 31	(Thousands of yen)		
	2007	2008	Change from the previous year
	Amount	Amount	Amount
II. Cash flows from investing activities			
Increase in time deposits	79,285	2,466,579	
Decrease in time deposits	(1,460,550)	(373,706)	
Payments for purchase of securities	---	(1,097,092)	
Proceeds from sale of securities	---	614,964	
Payments for purchase of investment securities	---	(231,000)	
Proceeds from sale of investment securities	---	6,720	
Proceeds from sale of investments in affiliates	---	140,010	
Payments for acquisition of tangible fixed assets	(4,417,746)	(5,478,437)	
Proceeds from sale of tangible fixed assets	1,315	4,975	
Payments for purchase of intangible assets	(12,965)	(20,104)	
Payments for acquisition of shares in subsidiaries that accompanied changes in the scope of consolidation	---	(162,803)	
Payments for acquisition of shares in subsidiaries	---	(111,108)	
Other	(14,941)	(31,154)	
Net cash used in investing activities	(5,825,602)	(4,272,158)	1,553,444
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	(7,738)	(53,334)	
Repayment of long-term debt	(1,302,520)	(938,810)	
Repayment of corporate bonds	(225,000)	(25,000)	
Acquisition of treasury stock	(1,090)	(1,544,857)	
Payment by installments	(22,405)	(23,025)	
Dividends paid	(508,821)	(635,476)	
Dividends paid to minority interests	(19,562)	(23,432)	
Net cash used in financing activities	(2,087,138)	(3,243,935)	(1,156,797)
IV. Effect of exchange rate changes on cash and cash equivalents	(33,372)	(88,637)	(55,265)
V. Net increase (decrease) in cash and cash equivalents during the term	(3,111,844)	(2,952,504)	159,340
VI. Cash and cash equivalents at beginning of year	12,272,659	9,160,815	(3,111,844)
VII. Cash and cash equivalents at end of year	9,160,815	6,208,311	(2,952,504)

Events or situations that cause significant questions regarding going concern assumption

Not applicable.

(Segment Information)

a. Business segment information

Fiscal year 2007 (from November 1, 2006 to October 31, 2007)

(Thousands of yen)

	Optical products	Information products	Total	Elimination or company total	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to external customers	21,352,144	6,896,462	28,248,607	---	28,248,607
(2) Intergroup sales and transfers	---	---	---	---	---
Total	21,352,144	6,896,462	28,248,607	---	28,248,607
Operating expenses	15,114,519	6,059,732	21,174,252	---	21,174,252
Operating income	6,237,625	836,730	7,074,355	---	7,074,355
II. Assets, depreciation and capital expenditures					
Assets	26,462,291	13,566,122	40,028,414	16,295,417	56,323,832
Depreciation	826,282	731,756	1,558,038	---	1,558,038
Capital expenditures	2,076,816	2,901,169	4,977,985	---	4,977,985

(Note 1.) Business classification method

Business segments are classified by categories which we have adopted for internal management.

(Note 2.) Main products by business segment

Segment	Main products
Optical products	Optical lens blanks, lens materials for optical equipment
Information products	Glass disks for hard disks devices, special glass products for liquid crystal exposure devices

(Note 3.) Changes in allocation method of operating expenses

Although the Company has traditionally allocated overhead costs relating to sales and administration divisions submitting a report to business segments based on cost of goods manufactured, etc., starting the fiscal year under review the allocation method has changed to that based on the sales ratio, to improve the effectiveness of the segment information by reflecting operating results more adequately.

As a result, operating expenses fell ¥273,038 thousand and operating income declined by the same amount in the optical products segment, in comparison with the case in which the old allocation method is used. In the information products segment, operating expenses declined ¥273,038 thousand and operating income increased by the same amount.

(Note 4.) No unallocated operating expense is included in "Elimination or company total."

(Note 5.) Assets that are included in "Elimination or company total" in the fiscal year under review are ¥16,295,417 thousand, and the major items are undesignated funds (cash on hand and in banks) and long-term investment funds (investment securities) etc.

Fiscal year 2008 (from November 1, 2007 to October 31, 2008)

(Thousands of yen)

	Optical products	Information products	Total	Elimination or company total	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to external customers	22,091,476	8,483,299	30,574,775	---	30,574,775
(2) Intergroup sales and transfers	---	---	---	---	---
Total	22,091,476	8,483,299	30,574,775	---	30,574,775
Operating expenses	17,865,308	6,337,444	24,202,753	---	24,202,753
Operating income	4,226,167	2,145,854	6,372,022	---	6,372,022
II. Assets, depreciation and capital expenditures					
Assets	31,048,397	21,319,169	52,367,567	8,026,634	60,394,202
Depreciation	1,087,137	907,427	1,994,564	---	1,994,564
Capital expenditures	3,603,385	1,895,234	5,498,619	---	5,498,619

(Note 1.) Business classification method

Business segments are classified by categories which we have adopted for internal management.

(Note 2.) Main products by business segment

Segment	Main products
Optical products	Optical lens blanks, lens materials for optical equipment
Information products	Glass disks for hard disks devices, special glass products for liquid crystal exposure devices

(Note 3.) No unallocated operating expense is included in "Elimination or company total."

(Note 4.) Assets that are included in "Elimination or company total" in the fiscal year under review are ¥8,026,634 thousand, and the major items are undesignated funds (cash on hand and in banks) and long-term investment funds (investment securities) etc.

(Note 5.) Additional information

Sophisticated calculations by merchandise handled and other criteria became possible for the allocation of manufacturing expenses of the submitting company in the consolidated fiscal year under review, thanks to improvements in costing accuracy.

As a result, operating expenses for the optical products business increased by ¥1,500,508 thousand, and operating income for the business decreased by the same amount compared with the figures calculated using the previous method. The change also caused operating expenses and operating income for the information products business to decrease and increase by ¥1,500,508 thousand, respectively.

b. Geographical segment information

Fiscal year 2007 (from November 1, 2006 to October 31, 2007)

(Thousands of yen)

	Japan	Asia	North America	Europe	Total	Elimination or company total	Consolidated
I. Net sales and operating income							
Net sales							
(1) Sales to external customers	15,676,208	8,967,365	1,362,885	2,242,147	28,248,607	---	28,248,607
(2) Intergroup sales and transfers	7,145,017	3,458,935	3,205	3,007	10,610,166	(10,610,166)	---
Total	22,821,225	12,426,301	1,366,090	2,245,155	38,858,774	(10,610,166)	28,248,607
Operating expenses	18,588,399	10,752,650	1,102,286	1,566,525	32,009,861	(10,835,609)	21,174,252
Operating income	4,232,825	1,673,651	263,804	678,630	6,848,912	225,443	7,074,355
II. Assets	47,381,485	15,524,016	774,325	1,602,689	65,282,518	(8,958,685)	56,323,832

(Note 1.) Geographical segments are classified by the geographical proximity of countries or regions.

(Note 2.) Countries or regions that belong to segments other than Japan

- (1) Asia: Malaysia, Taiwan, Hong Kong, China
- (2) North America: The United States
- (3) Europe: Germany

(Note 3.) No unallocated operating expense is included in "Elimination or company total."

(Note 4.) No company-wide assets are included in "Elimination or company total."

Fiscal year 2008 (from November 1, 2007 to October 31, 2008)

(Thousands of yen)

	Japan	Asia	North America	Europe	Total	Elimination or company total	Consolidated
I. Net sales and operating income							
Net sales							
(1) Sales to external customers	17,512,726	9,925,623	1,162,896	1,973,528	30,574,775	---	30,574,775
(2) Intergroup sales and transfers	8,146,805	5,148,682	7,629	12,723	13,315,841	(13,315,841)	---
Total	25,659,532	15,074,306	1,170,525	1,986,252	43,890,616	(13,315,841)	30,574,775
Operating expenses	21,964,588	13,401,168	946,718	1,476,444	37,788,920	(13,586,167)	24,202,753
Operating income	3,694,943	1,673,137	223,806	509,807	6,101,696	270,326	6,372,022
II. Assets	50,615,849	17,469,315	881,876	1,565,917	70,532,958	(10,138,756)	60,394,202

(Note 1.) Geographical segments are classified by the geographical proximity of countries or regions.

(Note 2.) Countries or regions that belong to segments other than Japan

- (1) Asia: Malaysia, Taiwan, Hong Kong, China
- (2) North America: The United States
- (3) Europe: Germany

(Note 3.) No unallocated operating expense is included in "Elimination or company total."

(Note 4.) No company-wide assets are included in "Elimination or company total."

c. Overseas sales

Fiscal year 2007 (from November 1, 2006 to October 31, 2007) (Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	10,315,239	1,262,493	2,234,184	13,811,918
II. Consolidated sales	---	---	---	28,248,607
III. Ratio of overseas sales to consolidated sales (%)	36.5	4.5	7.9	48.9

(Note 1.) Geographical segments are classified by the geographical proximity of countries or regions.

(Note 2.) Countries or regions that belong to segments other than Japan

- (1) Asia: Malaysia, Taiwan, China, etc.
- (2) North America: The United States, Canada
- (3) Europe: Germany, other European countries

(Note 3.) Overseas sales are the aggregate sum of sales of the Company and consolidated subsidiaries in countries or regions other than Japan.

Fiscal year 2008 (from November 1, 2007 to October 31, 2008) (Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	13,592,256	1,047,376	1,973,434	16,613,067
II. Consolidated sales	---	---	---	30,574,775
III. Ratio of overseas sales to consolidated sales (%)	44.5	3.4	6.4	54.3

(Note 1.) Geographical segments are classified by the geographical proximity of countries or regions.

(Note 2.) Countries or regions that belong to segments other than Japan

- (1) Asia: Malaysia, Taiwan, China, etc.
- (2) North America: The United States, Canada
- (3) Europe: Germany, other European countries

(Note 3.) Overseas sales are the aggregate sum of sales of the Company and consolidated subsidiaries in countries or regions other than Japan.