

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

Planned date for submission of interim report:

July 22, 2008

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

**1. Performance**

First half ended April 30

**(1) Operating results** (Figures in percentages denote the increase or decrease from the previous interim period.)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2008	14,864	11.5	3,475	4.8	3,555	(5.7)	1,892	(18.5)
2007	13,331	3.0	3,316	0.8	3,771	11.0	2,322	7.5
Year ended Oct. 2007	28,248	-	7,074	-	7,403	-	4,790	

	Net income per share	Net income per share after dilution
	Yen	Yen
2008	75.15	-
2007	182.54	-
Year ended Oct. 2007	188.19	-

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

(Reference): Equity in earnings of affiliates: Term ended April 30, 2008: ¥1 million, Year ended October 31, 2007: ¥7 million

Term ended April 30, 2007: ¥3 million,

**(2) Financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2008	55,224	42,991	77.1	1,750.24
2007	56,097	42,419	74.8	3,298.82
Year ended Oct. 2007	56,323	44,192	77.7	1,718.90

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

(Reference): Shareholders' equity: Term ended April 30, 2008: ¥42,576 million, Term ended April 30, 2007: ¥41,975 million, Year ended October 31, 2007: ¥43,744 million

**(3) Cash flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalent at end of term
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
2008	3,519	(2,087)	(3,020)	7,421
2007	2,276	(3,775)	(1,377)	9,392
Year ended Oct. 2007	4,834	(5,825)	(2,087)	9,160

**2. Dividends**

(Base date)	Dividend per stock		
	End of H1	End of FY	Annual
	Yen	Yen	Yen
Year ended Oct. 2007	-	25.00	25.00
Year ending Oct. 2008 (result)	-	---	25.00
Year ending Oct. 2008 (forecast)	---	25.00	

**3. Forecast for fiscal year ending October 31, 2008**

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

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	29,600	4.8	7,200	1.8	7,400	(0.0)	4,700	(1.9)	189.88

## 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

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

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

2) Change other than 1): Yes

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

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

Term ended April 30, 2008: 25,450,000

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

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

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

Term ended April 30, 2008: 1,123,845

Term ended April 30, 2007: 592

Year ended October 31, 2007: 1,423

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

(Note 2) For the number of shares that is the basis for the calculation of consolidated net income per share

## (Reference) Summary of non-consolidated basis

## 1. Performance

## (1) Operating results

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

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2008	11,727	15.1	1,724	(14.2)	2,648	(4.6)	1,467	(14.5)
2007	10,187	0.6	2,010	12.3	2,777	17.3	1,717	16.9
Year ended Oct. 2007	21,655	-	4,126	-	5,121	-	3,250	-

	Net income per share
	Yen
2008	58.28
2007	134.98
Year ended Oct. 2007	127.71

(Note): 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
2008	45,042	34,115	75.7	1,402.42
2007	47,137	34,384	72.9	2,702.23
Year ended Oct. 2007	46,293	35,393	76.5	1,390.78

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

(Reference): Shareholders' equity: Term ended April 30, 2008: ¥34,115 million, Term ended April 30, 2007: ¥34,384 million, Year ended October 31, 2007: ¥35,393 million

## 2. Forecast for fiscal year ending October 31, 2008

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

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	24,200	11.8	4,500	9.0	5,200	1.5	3,100	(4.6)	125.24

(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 fiscal year, assuming the stock split had been carried out at the beginning of the previous consolidated fiscal year (on November 1, 2006).

Net income per share: ¥91.27

Net assets per share: ¥1,649.41

The above forecasts are prospects based on information currently available and contain many uncertainties. Hence, actual results may differ from the forecasts, depending on changes in business conditions among other factors. Please see page 4 of the attachment for matters relating to the forecasts.

## 1. Operating Results

### (1) Analysis of operating results

A review of the domestic and overseas economies in the interim period shows that Japan experienced an intensified weakening with global credit concerns triggered by the subprime mortgage loan crisis in the United States and rising prices of crude oil and other resources. The US economy continued to suffer deteriorated housing investment and slower personal spending. The European economy was generally slowing as rising prices dragged on private consumption while exports recovered. In the Asian region, although rising prices of energy and food pressed down growth, the Chinese economy continued to enjoy impressive growth while other Asian economies generally remained firm. The Japanese economy assumed an aspect of a temporary lull with corporate earnings declining on rising prices of resources and the appreciation of the yen, in addition to a strengthened lackluster tone of personal spending.

In the optical equipment market, demand for single-lens reflex digital cameras and interchangeable lenses continued to increase, while demand for semiconductor exposure apparatuses declined. Meanwhile, in the information and telecommunications equipment market, demand for hard-disk drives for note PCs and information terminals expanded.

The average exchange rates of the yen against the dollar and euro for the interim period were 107.03 yen and 162.24 yen, respectively. The yen significantly appreciated about 9.8% against the dollar, while it depreciated around 2.7% against the euro.

In this environment, we endeavored to respond to higher demand for optical glass for single-lens reflex digital cameras and hard-disk substrates. As a consequence, sales for the interim period amounted to ¥14,864 million, up 11.5% year on year.

The gross profit margin fell to 41.5%, a decline of 1.3 points year on year. Although we improved production efficiency through activities to reduce costs, this was unable to offset the effect of falling unit sales prices of products and rising unit purchase prices of raw materials such as rare earths. Meanwhile, gross profit rose 8.1% year on year, to ¥6,170 million, as sales expanded. Selling, general and administrative expenses were ¥2,695 million, rising 12.8% year on year, reflecting an increase in research and development expenses and freight due. Consequently, operating income was ¥3,475 million, an increase of 4.8%. Among non-operating income and expenses, a loss on revaluation of foreign currency arose from the sharp appreciation of the yen although we recorded cash surrender value. As a result, ordinary profit became ¥3,555 million, a fall of 5.7%. After we posted a loss on the sale of tangible fixed assets and a loss on disposal of tangible fixed assets, as well as income taxes in prior years in extraordinary gain and losses, net income came to ¥1,892 million, a decline of 18.5%.

As a consequence, net income per share was ¥75.12.

Results by business segment are as follows:

#### 1) Optical products

Sales of optical pressings, the mainstays of the segment, were ¥9,079 million (up 21.5% year on year) attributable to an increase in demand for products for single-lens reflex digital cameras and interchangeable lenses as well as firm sales of products for compact-type digital cameras. Sales of optical blocks, by contrast, declined to ¥1,854 million (down 19.6%) with a fall in sales of highly homogeneous glass materials for steppers in association with the completion of capital investment in semiconductor exposure apparatus. As a consequence, consolidated sales in the segment were ¥10,934 million (up 11.8%), but operating income was ¥2,340 million (down 15.5%) given the effect of falling unit sales prices of products and rising prices of raw materials.

#### 2) Information products

Sales of disk products, the mainstays of the segment, jumped to ¥2,516 million (up 34.3%) as we responded to an increase in demand for hard-disk drives for note PCs and information terminals by boosting production capacity. In contrast, sales of Specialty Glass were ¥1,413 million (down 15.8%), since demand for polished products declined although demand for Ultra Low Expansion Glass-Ceramics increased. Consequently, consolidated sales in the segment were ¥3,930 million (up 10.6%), and operating income was ¥1,134 million (up 107.9%).

A breakdown of results by geographical segment:

#### 1) Japan

Although demand for highly homogeneous glass materials for steppers and polished products fell, sales increased to ¥8,343 million (up 10.8%) thanks to an increase in demand for optical pressings for digital cameras and hard-disk substrates. In contrast, operating income declined to ¥1,715 million (down 18.2%), as an improvement in production efficiency through cost reduction activities was unable to offset the effect of falling unit sales prices and rising prices of raw materials.

#### 2) Asia

Sales were ¥4,869 million (up 19.2%), the result of firm demand for glass materials for optical products, despite a fall in unit sales prices of products. Operating income was ¥1,126 million (up 17.4%), owing to the economies of scale associated with higher sales of disk products.

## 3) North America

While demand for glass materials for optical products recovered, demand for polished Specialty Glass for information products declined. As a consequence, sales were ¥543 million (a fall of 26.0%), and operating income was ¥108 million (a drop of 30.0%).

## 4) Europe

In the optical products segment, although demand for highly homogeneous glass materials for steppers fell, demand for optical pressings moved higher. In the information products segment, we focused on expanding sales of Ultra Low Expansion Glass-Ceramics. Consequently, sales rose to ¥1,108 million (up 12.9%), and operating income reached ¥349 million (a rise of 17.8%).

Sales by geographical segment above are sales to external customers.

## (2) Full-year outlook

The economic uncertainty is expected to continue, given prolonged credit insecurity and unstable exchange rates as prices of crude oil and other resources remain high.

In the optical device and information and communications equipment sectors, while the expansion of new demand is anticipated in emerging economies, it is likely that the Group will need to respond to a more challenging environment in terms of both production and sales, given falling unit sales prices of products and surging resource costs.

In these circumstances, the Group will proceed simultaneously with activities in three areas—R&D, manufacturing and sales—under a global system in closer cooperation with Group companies.

By segment, we will endeavor to increase sales of interchangeable lenses for single-lens reflex digital cameras and Low Tg Glass for glass molds, an area of growing demand, in the optical products segment. In the information products segment, we will boost our manufacturing and sales systems to step up sales of Ultra Low Expansion Glass-Ceramics by absorbing new demand. As a consequence, consolidated sales for the full year are expected to be ¥29,600 million, operating income should be ¥7,200 million, ordinary income should reach ¥7,400 million, and net income is likely to stand at ¥4,700 million. On a non-consolidated basis, sales, operating income, ordinary income, and net income are projected to be ¥24,200 million, ¥4,500 million, ¥5,200 million, and ¥3,100 million, respectively.

## (3) Financial analysis

## 1) Analysis of financial position

Current assets at the end of the interim period were ¥24,506 million (down 8.6% from the end of the previous fiscal year).

The principal factor was a fall of ¥3,054 million in cash on hand and in banks following the acquisition of tangible fixed assets and the repurchase of the Company's shares.

Fixed assets were ¥30,718 million (up 4.1%). The main increases were ¥350 million in machinery and vehicles, ¥1,373 million in tools, furniture and fixtures, and ¥513 million in construction in progress under tangible fixed assets. These are the results of investment in the enhancement of production facilities in response to higher demand for products. In investments and other assets, investment securities decreased ¥953 million mainly attributable to mark-to-market at the end of the interim period.

Current liabilities were ¥8,590 million (up 8.2%). The main factors were a rise of ¥900 million in notes and accounts payable-trade and a fall of ¥562 million in short-term borrowings.

Long-term liabilities were ¥3,642 million (down 13.2%), mainly because of a decline of ¥252 million in long-term debt.

Net assets became ¥42,991 million (down 2.7%). The main factors were the posting of net income of ¥1,892 million, a rise of ¥1,544 million in treasury stock and a fall of ¥896 million in valuation and translation adjustments

## 2) Analysis of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the interim period stood at ¥7,421 million (falling 21.0% year on year). Income before income taxes of ¥3,553 million (down 5.2%) and the increase in notes and accounts payable—trade were offset by the payment of income taxes, payments for the acquisition of tangible fixed assets and the repurchase of the Company's shares. Consequently, cash fell ¥1,739 million from the end of the previous fiscal year.

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

## (Cash flows from operating activities)

Net cash provided by operating activities was ¥3,519 million (up 54.6%).

While there was a decline of ¥1,417 million in cash because of the payment of income taxes, this was offset by positive factors, including income before income taxes of ¥3,553 million and an increase in notes and accounts payable—trade of ¥1,137 million, and depreciation and amortization of ¥906 million.

## (Cash flows from investing activities)

Net cash used in investing activities was ¥2,087 million (a fall of 44.7%).

The main factors were an increase in time deposits of ¥1,106 million and payments for the acquisition of tangible fixed assets of ¥3,085 million.

## (Cash flows from financial activities)

Net cash used in financial activities was ¥3,020 million (an increase of 119.3%).

The main factors were payments of ¥826 million associated with a reduction in interest-bearing debt, the acquisition of treasury stock of ¥1,544 and dividends paid of ¥634 million.

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

	FY 2006		FY 2007		FY 2008
	Interim	End of year	Interim	End of year	Interim
Equity ratio (%)	69.6	71.5	74.8	77.7	77.1
Market value-based equity ratio (%)	141.7	134.7	127.9	93.3	79.3
Ratio of interest-bearing debt to cash flow	143.1	54.7	136.0	51.1	46.7
Interest coverage ratio	76.7	76.5	87.1	93.2	189.2

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

\* Each indicator is calculated based on consolidated financial data.

\* The total market value of shares is calculated based on the number of issued shares excluding treasury stocks.

\* For operating cash flows, cash flows from operating activities in the consolidated cash flow statement are used. All borrowings involving the payment of interest and stated in the consolidated balance sheets are included in interest-bearing borrowings. For the calculation of interest payments, interest payments recorded in the consolidated statements of cash flows are used.

## (4) Principle policy on the distribution of profits and dividends for fiscal year 2008

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

Under the policy, we seek to pay dividends in accordance with business performance, taking return on equity (ROE) and dividend payout ratio into consideration. We will also repurchase the Company's shares as necessary to improve the distribution of profits to our shareholders in a comprehensive manner.

For the previous fiscal term, a common dividend of ¥25 was approved in a resolution adopted at the 99th ordinary general meeting of shareholders held on January 28, 2008. For this fiscal year, a year-end dividend of ¥25 per share is planned to be paid.

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

## 2. Business Overview

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

The Group (the Company and consolidated subsidiaries; hereinafter the same applies) consists of nine 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 subsidiaries and affiliate process and sell the products.

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

### (1) Optical products

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

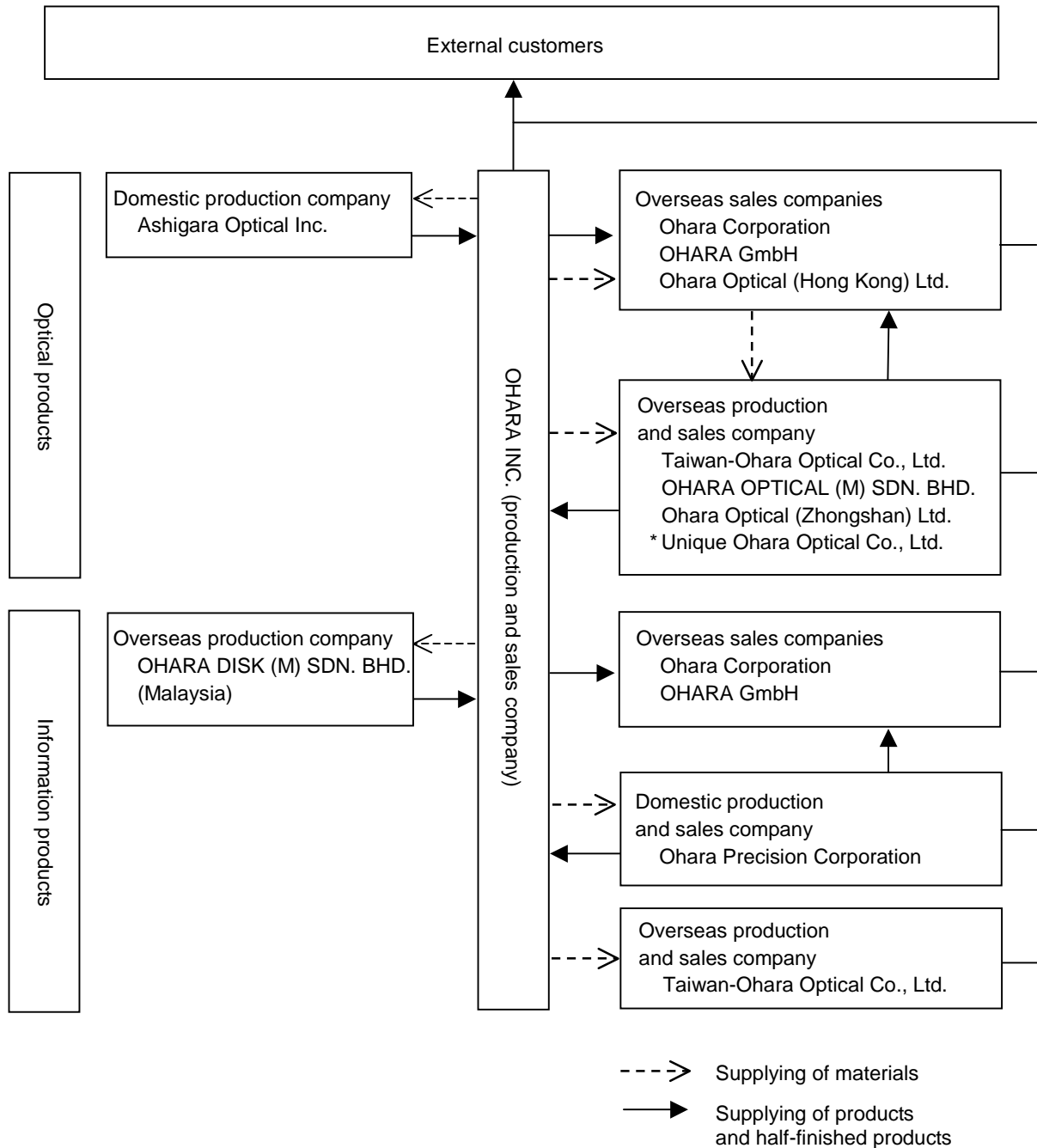
### (2) Information products

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

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

(Note) Unique Ohara Optical Co., Ltd. (PRC) was excluded from the scope of application of the equity method in this interim period, as we assigned all of the equity in investments by our consolidated subsidiaries.

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

As there is no significant change from the details we disclosed in the flash report for the fiscal year ended October 31, 2007 (disclosed on December 20, 2007), the disclosure is omitted.

The flash report is available at the following URL:

<http://www.ohara-inc.co.jp/jp/ir/library/index.html>

Homepage of the Tokyo Stock Exchange (on the Listed Company Search page):

<http://www.tse.or.jp/listing/compsearch/index.html>

**Consolidated Financial Statement****CONSOLIDATED BALANCE SHEETS**

At April 30

(Thousands of yen)

	2007		2008		Change from the previous interim term	At October 31, 2007	
	Amount	%	Amount	%	Amount	Amount	%
<b>ASSETS</b>							
<b>I. Current assets:</b>							
1. Cash on hand and in banks	9,788,475		7,465,767		(2,322,708)	10,520,738	
2. Notes and accounts receivable, trade	7,723,390		8,640,476		917,086	8,935,617	
3. Marketable securities	22,833		1,302,602		1,279,769	1,016,636	
4. Inventories	5,315,149		5,717,370		402,220	5,125,849	
5. Deferred tax assets	831,303		743,928		(87,375)	775,022	
6. Other current assets	354,331		643,153		288,822	445,690	
7. Less: allowance for doubtful accounts	(8,373)		(6,918)		1,454	(12,692)	
Total current assets	24,027,110	42.8	24,506,380	44.4	479,269	26,806,862	47.6
<b>II. Fixed assets:</b>							
<b>(1) Tangible fixed assets:</b>							
1. Buildings and structures	7,596,605		7,985,756			7,932,331	
Accumulated depreciation and amortization	3,358,894		3,637,249			3,514,229	
	4,237,710		4,348,507		110,796	4,418,102	
2. Machinery and vehicles	12,612,485		14,788,471			13,875,113	
Accumulated depreciation and amortization	6,989,298		7,991,124			7,427,836	
	5,623,187		6,797,346		1,174,158	6,447,276	
3. Tools, furniture, and fixtures	9,416,148		10,841,891			9,444,592	
Accumulated depreciation and amortization	1,033,725		1,134,682			1,110,448	
	8,382,422		9,707,208		1,324,786	8,334,143	
4. Land	370,631		405,712		35,081	412,202	
5. Construction-in-progress	1,731,640		1,245,590		(486,049)	731,758	
Total tangible fixed assets	20,345,592	36.3	22,504,364	40.7	2,158,772	20,343,484	36.1
(2) Intangible assets	57,437	0.1	60,396	0.1	2,958	50,544	0.1
<b>(3) Investments and other assets:</b>							
1. Investment securities	7,819,479		5,984,936		(1,834,543)	6,938,870	
2. Long-term deposit	3,500,000		1,800,000		(1,700,000)	1,800,000	
3. Deferred income taxes	55,262		66,974		11,711	66,785	
4. Others	292,534		301,400		8,866	317,284	
Total investments and other assets	11,667,276	20.8	8,153,311	14.8	(3,513,965)	9,122,940	16.2
Total fixed assets	32,070,306	57.2	30,718,072	55.6	(1,352,234)	29,516,969	52.4
Total assets	56,097,417	100.0	55,224,453	100.0	(872,964)	56,323,832	100.0

At April 30

(Thousands of yen)

	2007		2008		Change from the previous interim term	At October 31, 2007	
	Amount	%	Amount	%		Amount	Amount
<b>LIABILITIES</b>							
I. Current liabilities:							
1. Notes and accounts payable, trade	3,044,487		3,615,123		570,635	2,714,396	
2. Short-term borrowings	2,025,918		1,269,186		(756,732)	1,831,520	
3. Corporate bond with a maturity of less than one year	25,000		25,000		---	25,000	
4. Accrued income taxes	1,130,105		1,116,868		(13,236)	1,040,613	
5. Deferred tax liabilities	2,956		---		(2,956)	---	
6. Allowance for employees' bonuses	488,575		544,380		55,805	648,872	
7. Allowance for directors' bonuses	33,629		26,055		(7,573)	68,499	
8. Allowance for environmental measures	34,794		---		(34,794)	15,000	
9. Account payable-nontrade	1,246,324		1,341,489		95,164	977,983	
10. Other current liabilities	523,012		652,160		129,147	614,775	
Total current liabilities	8,554,805	15.3	8,590,264	15.6	35,458	7,936,661	14.1
II. Long-term liabilities:							
1. Corporate bond	137,500		112,500		(25,000)	125,000	
2. Long-term debt	907,900		237,061		(670,839)	489,525	
3. Deferred tax liabilities	2,530,069		1,897,610		(632,459)	2,126,331	
4. Accrued retirement benefits for employees	1,122,699		1,054,957		(67,741)	1,114,321	
5. Accrued retirement benefits for directors and corporate auditors	242,026		269,735		27,709	273,367	
6. Allowance for special repair	93,100		27,800		(65,300)	10,800	
7. Long-term accrued expenses	88,451		42,368		(46,082)	54,146	
8. Other long-term liabilities	870		882		12	870	
Total long-term liabilities	5,122,616	9.1	3,642,915	6.6	(1,479,700)	4,194,361	7.4
Total liabilities	13,677,421	24.4	12,233,179	22.2	(1,444,241)	12,131,023	21.5

At April 30

(Thousands of yen)

	2007		2008		Change from the previous interim term	At October 31, 2007	
	Amount	%	Amount	%		Amount	Amount
<b>NET ASSETS</b>							
I. Shareholders' equity:							
1. Capital stock	5,855,000	10.4	5,855,000	10.6	---	5,855,000	10.4
2. Capital surplus	7,930,785	14.1	7,930,785	14.4	---	7,930,785	14.1
3. Retained earnings	24,285,913	43.3	27,968,088	50.6	3,682,174	26,695,657	47.4
4. Treasury stock, at cost	(3,194)	(0.0)	(1,548,214)	(2.8)	(1,545,020)	(3,752)	(0.0)
Total shareholders' equity	38,068,505	67.8	40,205,659	72.8	2,137,154	40,477,690	71.9
II. Valuation and translation adjustments:							
1. Net unrealized holding gain on securities	3,831,362	6.8	2,743,461	5.0	(1,087,901)	3,308,633	5.9
2. Foreign exchange adjustment	75,632	0.2	(372,537)	(0.7)	(448,169)	(41,584)	(0.1)
Total valuation and translation adjustments	3,906,995	7.0	2,370,923	4.3	(1,536,071)	3,267,049	5.8
III. Minority interests							
	444,495	0.8	414,690	0.7	(29,805)	448,069	0.8
Total net assets	42,419,995	75.6	42,991,273	77.8	571,277	44,192,809	78.5
Total liabilities and net assets	56,097,417	100.0	55,224,453	100.0	(872,964)	56,323,832	100.0

**CONSOLIDATED STATEMENTS OF INCOME**

Terms ended April 30

(Thousands of yen)

	2007		2008		Change from the previous interim term	Year ended October 31, 2007	
	Amount	%	Amount	%		Amount	Amount
I. Net sales	13,331,327	100.0	14,864,320	100.0	1,532,992	28,248,607	100.0
II. Cost of sales	7,624,038	57.2	8,694,072	58.5	1,070,033	16,173,743	57.3
Gross profit	5,707,289	42.8	6,170,248	41.5	462,959	12,074,864	42.7
III. Selling, general and administrative expenses	2,390,316	17.9	2,695,016	18.1	304,699	5,000,508	17.7
Operating income	3,316,972	24.9	3,475,232	23.4	158,259	7,074,355	25.0
IV. Non-operating income:							
1. Interest income	50,386		72,553			117,556	
2. Dividend income	45,644		55,423			106,112	
3. Rental fee	5,531		4,939			10,831	
4. Gain on revaluation of foreign currency	290,853		---			36,057	
5. Equity in earnings of affiliates	3,201		1,164			7,359	
6. Cash surrender value	---		127,231			---	
7. Other non-operating income	92,530		75,284			130,197	
	488,147	3.7	336,596	2.2	(151,551)	408,115	1.5
V. Non-operating expenses:							
1. Interest expense	26,815		19,372			49,846	
2. Loss on revaluation of foreign currency	---		227,279			---	
3. Loss on devaluation of inventory	---		---			15,587	
4. Other non-operating expenses	7,175		9,955			13,914	
	33,991	0.3	256,607	1.7	222,615	79,347	0.3
Ordinary profit	3,771,128	28.3	3,555,221	23.9	(215,907)	7,403,123	26.2
VI. Extraordinary gain:							
Gain on sale of tangible fixed assets	63		2,169			895	
	63	0.0	2,169	0.0	2,105	895	0.0
VII. Extraordinary losses:							
Loss on disposal of tangible fixed assets	25,078		4,207			36,736	
	25,078	0.2	4,207	0.0	(20,870)	36,736	0.1
Income before income taxes	3,746,113	28.1	3,553,182	23.9	(192,930)	7,367,282	26.1
Income taxes	1,309,975		1,212,188			2,434,647	
Income taxes in prior years	---		256,502			---	
Income tax adjustment	92,469		191,678			111,476	
	1,402,444	10.5	1,660,369	11.2	257,924	2,546,123	9.0
Minority interests (deducted)	20,887	0.2	179	0.0	(20,708)	30,615	0.1
Net income	2,322,781	17.4	1,892,633	12.7	(430,147)	4,790,543	17.0

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Terms ended April 30

(Thousands of yen)

	2007	2008	Change from the previous interim term	Year ended October 31, 2007
	Amount	Amount	Amount	Amount
I. Cash flows from operating activities				
Income before income taxes	3,746,113	3,553,182	(192,930)	7,367,282
Depreciation and amortization	742,934	906,345	163,410	1,558,038
Equity in earnings of affiliates	(3,201)	(1,164)	2,036	(7,359)
Increase (decrease) in retirement benefit costs	(71,346)	(55,608)	15,737	(147,269)
Increase (decrease) in director's retirement benefit costs	24,613	(2,717)	(27,330)	56,554
Increase (decrease) in allowance for employees' bonuses	(219,295)	(97,857)	121,438	(59,005)
Increase (decrease) in allowance for doubtful accounts	888	(5,485)	(6,374)	5,363
Increase (decrease) in allowance for special repair	15,500	17,000	1,500	(66,800)
Interest and dividend income	(96,031)	(127,976)	(31,945)	(223,669)
Interest expense	26,815	19,372	(7,443)	49,846
Gain / Loss on revaluation of foreign currency	(173,076)	7,411	180,488	(101,750)
Gain on sale of tangible fixed assets	(63)	(2,169)	(2,105)	(895)
Loss on disposal of tangible fixed assets	25,078	4,207	(20,870)	36,736
Decrease (increase) in notes and accounts receivable, trade	1,652,014	32,097	(1,619,916)	360,520
Decrease (increase) in inventories	(172,491)	(691,028)	(518,536)	(26,866)
Increase (decrease) in notes and accounts payable, trade	(795,894)	1,137,767	1,933,662	(1,020,768)
Other	(410,958)	68,061	479,019	194,353
Subtotal	4,291,599	4,761,438	469,839	7,974,310
Interest and dividend income received	88,782	125,155	36,372	220,500
Interest expense paid	(26,140)	(18,598)	7,541	(51,877)
Insurance benefits received	---	69,068	69,068	---
Income taxes paid	(2,077,323)	(1,417,945)	659,378	(3,308,664)
Net cash provided by operating activities	2,276,918	3,519,120	1,242,201	4,834,269

Terms ended April 30

(Thousands of yen)

	2007	2008	Change from the previous interim term	Year ended October 31, 2007
	Amount	Amount	Amount	Amount
<b>II. Cash flows from investing activities</b>				
Increase in time deposits	---	1,016,415	1,016,415	79,285
Decrease in time deposits	(1,141,048)	(1,377)	1,139,670	(1,460,550)
Payments for acquisition of tangible fixed assets	(2,625,906)	(3,085,689)	(459,783)	(4,417,746)
Proceeds from sale of tangible fixed assets	157	2,832	2,675	1,315
Payments for purchase of intangible assets	(8,960)	(2,315)	6,645	(12,965)
Other	159	(17,397)	(17,556)	(14,941)
Net cash used in investing activities	(3,775,599)	(2,087,531)	1,688,067	(5,825,602)
<b>III. Cash flows from financing activities</b>				
Increase (decrease) in short-term borrowings, net	(140,826)	(293,334)	(152,507)	(7,738)
Proceeds from long-term borrowings	100,000	---	(100,000)	---
Repayment of long-term debt	(604,260)	(520,260)	84,000	(1,302,520)
Repayment of corporate bonds	(212,500)	(12,500)	200,000	(225,000)
Acquisition of treasury stock	(531)	(1,544,461)	(1,543,930)	(1,090)
Payment by installments	(11,126)	(11,434)	(308)	(22,405)
Dividends paid	(508,425)	(634,828)	(126,403)	(508,821)
Dividends paid to minority interests	---	(4,000)	(4,000)	(19,562)
Net cash provided by (used in) financing activities	(1,377,669)	(3,020,818)	(1,643,149)	(2,087,138)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(3,857)	(150,072)	(146,214)	(33,372)
<b>V. Net increase (decrease) in cash and cash equivalents during the term</b>	(2,880,207)	(1,739,301)	1,140,905	(3,111,844)
<b>VI. Cash and cash equivalents at beginning of year</b>	12,272,659	9,160,815	(3,111,844)	12,272,659
<b>VII. Cash and cash equivalents at end of year</b>	9,392,452	7,421,513	(1,970,939)	9,160,815

## (Segment Information)

## a. Business segment information

Interim period of the fiscal year ended October 31, 2007 (from November 1, 2006 to April 30, 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	9,778,356	3,552,971	13,331,327	---	13,331,327
(2) Intergroup sales and transfers	---	---	---	---	---
Total	9,778,356	3,552,971	13,331,327	---	13,331,327
Operating expenses	7,007,008	3,007,346	10,014,355	---	10,014,355
Operating income	2,771,348	545,624	3,316,972	---	3,316,972

(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, Glass materials for optical communications equipment

(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 increased ¥123 million 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 ¥123 million and operating income increased by the same amount.

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

Interim period of the fiscal year ending October 31, 2008 (from November 1, 2007 to April 30, 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	10,934,286	3,930,034	14,864,320	---	14,864,320
(2) Intergroup sales and transfers	---	---	---	---	---
Total	10,934,286	3,930,034	14,864,320	---	14,864,320
Operating expenses	8,593,304	2,795,783	11,389,088	---	11,389,088
Operating income	2,340,981	1,134,250	3,475,232	---	3,475,232

(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.) Additional information

With respect to the manufacturing expenses of the company submitting the report, an exhaustive allocation calculation by item handled has become possible this interim period because of improvements in the accuracy of cost accounting.

As a result, operating expenses increased ¥663,721 thousand in the optical products segment in comparison with the amount using the same method as before, while operating income declined by the same amount. In the information products segment, operating expenses declined ¥663,721 thousand, while operating income increased by the same amount.

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

(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 increased ¥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."

## b. Geographical segment information

Interim period of the fiscal year ended October 31, 2007 (from November 1, 2006 to April 30, 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	7,531,783	4,083,739	734,031	981,774	13,331,327	---	13,331,327
(2) Intergroup sales and transfers	3,296,055	1,820,516	2,976	37	5,119,586	(5,119,586)	---
Total	10,827,838	5,904,256	737,008	981,811	18,450,913	(5,119,586)	13,331,327
Operating expenses	8,731,218	4,944,614	582,342	685,606	14,943,781	(4,929,426)	10,014,355
Operating income	2,096,620	959,641	154,665	296,205	3,507,132	(190,159)	3,316,972

(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."

Interim period of the fiscal year ending October 31, 2008 (from November 1, 2007 to April 30, 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	8,343,739	4,869,154	543,103	1,108,322	14,864,320	---	14,864,320
(2) Intergroup sales and transfers	3,850,355	2,421,895	3,736	12,522	6,288,511	(6,288,511)	---
Total	12,194,094	7,291,050	546,840	1,120,845	21,152,832	(6,288,511)	14,864,320
Operating expenses	10,478,236	6,164,814	438,538	771,815	17,853,404	(6,464,316)	11,389,088
Operating income	1,715,858	1,126,236	108,301	349,030	3,299,427	175,804	3,475,232

(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."

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
II. 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

(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."

## c. Overseas sales

Interim period of the fiscal year ended October 31, 2007 (from November 1, 2006 to April 30, 2007)

(Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	4,773,436	681,971	974,089	6,429,497
II. Consolidated sales	---	---	---	13,331,327
III. Ratio of overseas sales to consolidated sales (%)	35.8	5.1	7.3	48.2

(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.

Interim period of the fiscal year ending October 31, 2008 (from November 1, 2007 to April 30, 2008)

(Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	6,338,958	477,007	1,109,675	7,925,641
II. Consolidated sales	---	---	---	14,864,320
III. Ratio of overseas sales to consolidated sales (%)	42.6	3.2	7.5	53.3

(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.

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.