

Flash Report (Consolidated Basis)

Results for the first half of the fiscal year ending October 31, 2009

Company name: OHARA INC.

Stock listing: Tokyo Stock Exchange (First section)

Code number: 5218

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

Representative: Hirokazu Saito, President

Contact: Takashi Nakajima, Executive Director

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

1. Consolidated Financial Results (for the six months ended April 30, 2009)

(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	%
1H FY2009	9,028	-	(124)	-	(337)	-	(740)	-
1H FY2008	14,864	11.5	3,475	4.8	3,555	(5.7)	1,892	(18.5)

	Net income per share	Net income per share after dilution
	Yen	Yen
1H FY2009	(30.45)	-
1H FY2008	75.15	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1H FY2009	52,863	40,469	75.4	1,638.17
Year ended Oct. FY2008	60,394	44,214	71.9	1,784.50

Reference: Own Capital: As of April 30, 2009: 39,849 million yen, As of October 31, 2008: 43,409 million yen

2. Dividends

(Base date)	Dividend per stock				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Oct. 2008	-	0.00	-	25.00	25.00
Year ending Oct. 2009 (result)	-	0.00			
Year ending Oct. 2009 (forecast)			-	15.00	15.00

Revision of estimates for cash dividends for shareholders of common stock during this quarter: No

3. Forecast consolidated results for the fiscal year ending October 31, 2009

(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
FY2009	20,000	(34.6)	(510)	-	(560)	-	(970)	-	(39.88)

Revision of the earnings estimates during this quarter: No

4. Others

- (1) Important changes in subsidiaries during the term (changes in specified subsidiaries that lead to a change in the scope of consolidation): No
- (2) Adoption of simplified accounting preparation or accounting preparation unique to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes of Accounting Methods and Presentation of Quarterly Consolidated Financial Statements (to be described in the changes of fundamental and important matters for the preparation of Quarterly Consolidated Financial Statements)
 - (a) Changes due to revisions of accounting standards, etc.: Yes
 - (b) Changes other than (a) above: Yes
- (4) Number of common shares issued
 - (a) Number of issued shares (including treasury shares)

April 30, 2009:	25,450,000 shares	October 31, 2008:	25,450,000 shares
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 - (b) Number of treasury shares

April 30, 2009:	1,124,118 shares	October 31, 2008:	1,124,089 shares
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 - (c) Average number of issued shares (for the first half of fiscal years)

April 30, 2009:	24,325,893 shares	April 30, 2008:	25,448,564 shares
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* Explanation about proper use of business outlook and other special remarks

1. The forward-looking statements, including forecasts of results, stated in this document are based on information obtained at present by the Company and certain assumptions that the Company deems reasonable. Hence, actual results may differ materially from the forward-looking statements, depending on various factors.
2. Commencing the current fiscal year, the Company is applying the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared under the Rules for Quarterly Consolidated Financial Statements.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information on Consolidated Operating Results

A review of the overseas economies in the first half under review shows that the financial crisis in the United States worsened and spread into Europe and Asia. Real economies worldwide were affected by the crisis. In particular, the financial crisis had a major impact on the Japanese economy, which depends heavily on exports of manufactured goods, as exports slipped further in association with falls in demand worldwide. Personal spending slumped with the deterioration in the employment and income environments, and in turn aggravated the economic downturn.

In the optical equipment market, the effect of production and inventory adjustments worsened as demand for compact digital cameras declined and their prices fell, and demand for single-lens reflex digital cameras also decreased, although demand for digital cameras picked up in the second half of the first half under review. In the electronics equipment market, demand for hard disk drives plummeted following production and inventory adjustments by manufacturers. Demand in the semiconductor exposure device market failed to stage a recovery, and demand for glass materials was stagnant. Demand for glass materials declined in the liquid crystal exposure device market, as liquid crystal panel manufacturers continued to curb capital spending.

In this environment, net sales in the first half under review stood at ¥9,028 million, down 39.3% year on year, despite the addition of sales of Ohara Quartz Co., Ltd., primarily reflecting a fall in demand for optical glass products for single-lens reflex digital cameras and interchangeable camera lenses and a plunge in demand for hard disk substrates due to production and inventory adjustments.

The gross margin on sales fell 14.0 percentage points year on year, to 27.5%, as improved production efficiency and efficiency in indirect operations through Group-wide efforts to cut costs were unable to offset a decline in demand for major products. In selling, general and administrative expenses, research and development expenses and other expenses increased, although freight costs and supplies expenses declined in association with lower sales. Consequently, an operating loss of ¥124 million was posted (compared with operating income of ¥3,475 million yen for the same period of the previous fiscal year). The Group posted an ordinary loss of ¥337 million (compared with an operating profit of ¥3,555 million for the year-ago period) with the cash surrender value more than offset by a foreign exchange loss attributable to the appreciation of the yen from the end of the previous fiscal year. As a result of the posting of a loss on retirement of noncurrent assets and income taxes, among other items, the Company posted a net loss of ¥740 million (compared with net income of ¥1,892 million for the year-ago period).

Results by business segment are as follows:

(i) Optical business

Sales of optical pressings, the core products for this segment, fell because of production and inventory adjustments by optical instruments manufacturers in response to a global decline in demand for digital cameras and interchangeable lenses. Demand for lens blanks dropped. Demand for optical blocks for projectors also declined.

As a result of the above, sales for the segment came to ¥6,189 million, and operating income was ¥153 million.

(ii) Electronics business

Demand for disk products, the core products in this segment, plunged, mainly because of production and inventory adjustments by manufactures. Demand for highly homogeneous glass materials for semiconductor exposure devices and ultra low expansion glass-ceramics for liquid crystal exposure devices also declined, principally reflecting curbs on capital expenditure in semiconductor manufacturers and galas panels manufactures.

Sales in the segment were ¥2,838 million. An operating loss of ¥277 million was posted.

The following is a breakdown of results by geographical segment.

(i) Japan

Demand for optical pressings for digital cameras plummeted. Demand for hard disk substrates also plunged due to the effect of production and inventory adjustments. Operating results were thus weak, although quartz glass contributed to sales.

As a result, sales were ¥5,050 million, and an operating loss of ¥1,230 million was posted.

(ii) Asia

Demand for optical pressings for digital cameras and ball lenses for compact digital cameras declined.

Sales were ¥2,885 million. Operating income stood at ¥398 million.

(iii) North America

Although demand for part of the products, including special products in the electronics business, rose, demand for blocks in the optical business fell. As a consequence, sales amounted to ¥498 million, and operating income was ¥67 million.

(iv) Europe

In the electronics business, demand for highly homogeneous glass materials for semiconductor exposure devices and ultra low expansion glass-ceramics declined. As a consequence, sales were ¥593 million, and operating income stood at ¥142 million.

2. Qualitative Information on Consolidated Financial Position

(1) Financial position

Total assets at the end of the second quarter amounted to ¥52,863 million (down 12.5% from the end of the previous fiscal year), primarily reflecting declines in notes and accounts receivable-trade, in fixed assets, and in investment securities.

Total liabilities stood at ¥12,394 million (falling 23.4%), mainly attributable to decreases in notes and accounts payable-trade, in accrued income taxes, and in allowances for employees' bonuses despite an increase in long-term debt.

Net assets were ¥40,469 million (declining 8.5%), principally because of an increase in foreign exchange adjustment associated with the appreciation of the yen, a fall in retained earnings due to a net loss and dividends paid, and a decline in the net unrealized holding gain on securities associated with falling market values.

(2) Consolidated cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the second quarter stood at ¥8,727 million, rising ¥2,519 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 ¥3,103 million (down 11.8% year on year).

The major factors behind the cash inflow included a decrease in notes and accounts receivable-trade of ¥6,090 million and depreciation and other amortization of ¥1,202 million, offsetting a decrease in notes and accounts payable-trade of ¥2,198 million, income taxes paid of ¥937 million, and an increase in inventories of ¥490 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥743 million (a fall of 64.4%).

The cash outflow resulted primarily from the acquisition of tangible fixed assets of ¥1,329 million, which outweighed proceeds from the sale of securities of ¥500 million.

(Cash flows from financial activities)

Net cash provided by financial activities was ¥757 million (an outflow of ¥3,020 million in the year-ago period).

The cash inflow primarily reflected long-term borrowings of ¥1,000 million, which more than offset repayments of long-term debt of ¥267 million.

3. Qualitative Information on the Forecast of Consolidated Results

Based on the situation in the first half under review, the Group revised on May 21, 2009 its forecast of consolidated results for the fiscal year ending October 31, 2009 announced on December 18, 2008 as follows:

(1) Revision of forecast consolidated results for the fiscal year ending October 2009
(from November 1, 2008 to October 31, 2009)

	Net sales	Operating income	Ordinary profit	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	26,300	1,910	2,130	1,370	56.32
Revised forecast (B)	20,000	(510)	(560)	(970)	(39.88)
Change (B – A)	(6,300)	(2,420)	(2,690)	(2,340)	-
Rate of change (%)	(24.0)	-	-	-	-
FY2008 performance	30,574	6,372	6,458	3,915	158.19

(2) Reason for the revisions

The worsening financial insecurity in the United States has significantly affected real economies and has grown to become a worldwide recession. Although prices of raw materials have begun to fall, the economic slowdown has begun to be increasingly obvious given plummeting demand, the strengthening of the yen, and curbs on capital

expenditure. Demand plunged in markets relevant to Group operations, because of production and inventory adjustments by customer manufacturers.

To respond to the sharp deterioration of the market environment, the Group is striving to cut costs and improve production efficiency, as well as efficiency in indirect operations. Nevertheless, the Group expects that the operating environment will remain difficult and has therefore revised its forecast.

4. Others

- (1) Important changes in subsidiaries during the term (changes in specified subsidiaries that lead to a change in the scope of consolidation): No
- (2) Adoption of simplified accounting preparation or accounting preparation unique to the preparation of quarterly consolidated financial statements: The simplified accounting preparation is applied for certain matters, but they are not significant.
- (3) Changes in accounting principles, procedures, and presentation methods relating to the preparation of quarterly consolidated financial statements
- (i) Adoption of Accounting Standard for Quarterly Financial Reporting
Commencing the current fiscal year, the Company is applying the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared under the Rules for Quarterly Consolidated Financial Statements.
- (ii) Application of Accounting Standard for Lease Transactions
Finance lease transactions that do not transfer ownership were accounted for in a manner similar to the accounting treatment of ordinary rental transactions.
However, since the Accounting Standard for Lease Transactions (ASBJ Statement No. 13 issued on June 17, 1993 by the First Subcommittee of the Business Accounting Council and revised on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 issued on January 18, 1994 by the Accounting Practice Committee of The Japanese Institute of Certified Public Accountants and revised on March 30, 2007) can be applied to quarterly consolidated financial statements for consolidated financial years beginning on and after April 1, 2008, the Company is applying the accounting standard and guidance on accounting standard from the first quarter under review and is accounting for finance lease transactions that do not transfer ownership in a manner similar to that for ordinary sale and purchase transactions.
In the calculation of the depreciation of lease assets relating to finance lease transactions that do not transfer ownership, the straight-line method is adopted where the lease period is set to the durable years, and the residual value is set to zero. Finance lease transactions that do not transfer ownership which began before the first fiscal year that the account standard is applied are continuing to be accounted for in a manner similar to accounting treatment for ordinary rental transactions.
There are no effects of the change on earnings and segment information.
- (iii) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements
From the first quarter under review, the Company is applying the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) and is making the revisions necessary for consolidated accounting. The change does not affect earnings or segment information.

5. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS
 (1) CONSOLIDATED BALANCE SHEETS

At April 30, 2009

(Thousands of yen)

	1H FY2009	1H FY2008
Assets		
Current assets		
Cash and deposits	7,105,690	6,274,569
Notes and accounts receivable-trade	4,265,448	11,013,864
Short-term investment securities	1,705,982	704,375
Merchandise and finished goods	1,701,818	2,094,200
Work in process	3,927,380	4,103,057
Raw materials and supplies	2,554,663	2,109,666
Deferred tax assets	569,224	799,822
Other	449,376	764,188
Allowance for doubtful accounts	(9,676)	(12,087)
Total Current assets	22,269,908	27,851,657
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	9,094,495	9,457,589
Accumulated depreciation	(4,398,536)	(4,323,064)
Buildings and structures, net	4,695,958	5,134,525
Machinery, equipment and vehicles	20,634,187	21,479,967
Accumulated depreciation	(12,355,441)	(12,224,715)
Machinery, equipment and vehicles, net	8,278,746	9,255,252
Tools, furniture and fixtures	11,904,365	11,891,534
Accumulated depreciation	(1,461,467)	(1,383,349)
Tools, furniture and fixtures, net	10,442,897	10,508,184
Land	208,673	407,732
Construction in progress	1,011,359	1,017,599
Total Property, plant and equipment	24,637,636	26,323,294
Intangible assets	65,995	69,252
Investments and other assets		
Investment securities	3,392,942	3,794,008
Long-term time deposits	1,800,000	1,800,000
Deferred tax assets	10,435	70,527
Other	686,693	485,461
Total Investments and other assets	5,890,071	6,149,997
Total Noncurrent assets	30,593,703	32,542,544
Total Assets	52,863,612	60,394,202

(Thousands of yen)

	1H FY2009	1H FY2008
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,454,812	4,183,570
Short-term loans payable	5,958,306	5,310,907
Current portion of bonds	112,500	125,000
Income taxes payable	41,207	818,357
Deferred tax liabilities	9,801	6,338
Provision for bonuses	384,855	736,433
Provision for directors' bonuses	22,384	68,484
Accounts payable-other	407,334	1,306,098
Other	540,666	666,225
Total Current liabilities	8,931,870	13,221,416
Noncurrent liabilities		
Long-term loans payable	901,570	165,739
Deferred tax liabilities	654,576	871,011
Provision for retirement benefits	1,098,261	1,029,850
Provision for directors' retirement benefits	257,165	283,409
Provision for special repairs	51,200	46,400
Provision for environmental measures	27,734	27,973
Long-term accounts payable-other	18,617	30,498
Negative goodwill	452,419	502,688
Other	870	870
Total Noncurrent liabilities	3,462,415	2,958,441
Total Liabilities	12,394,285	16,179,857
Net assets		
Shareholders' equity		
Capital stock	5,855,000	5,855,000
Capital surplus	7,930,785	7,930,785
Retained earnings	28,782,303	30,143,224
Treasury stock	(1,548,633)	(1,548,610)
Total Shareholders' equity	41,019,455	42,380,399
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,067,912	1,306,024
Foreign currency translation adjustment	(2,237,556)	(276,779)
Valuation and translation adjustments	(1,169,643)	1,029,245
Minority interests	619,515	804,700
Total Net assets	40,469,327	44,214,345
Total Liabilities and net assets	52,863,612	60,394,202

(2) CONSOLIDATED STATEMENTS OF INCOME

The first half of fiscal Year ending October 31, 2009

(Thousands of yen)

1H FY2009

Net sales	9,028,000
Cost of sales	6,541,175
Gross profit	2,486,825
Selling, general and administrative expenses	2,610,955
Operating loss	(124,129)
Non-operating income	
Interest income	33,140
Dividends income	49,497
Land and house rent received	6,598
Amortization of negative goodwill	50,268
Insurance return	117,826
Other	106,511
Total Non-operating income	363,842
Non-operating expenses	
Interest expenses	34,539
Foreign exchange losses	532,168
Other	10,407
Total Non-operating expenses	577,115
Ordinary loss	(337,402)
Extraordinary income	
Gain on sales of noncurrent assets	27,696
Total Extraordinary income	27,696
Extraordinary loss	
Loss on retirement of noncurrent assets	56,897
Total Extraordinary losses	56,897
Loss before income taxes and minority interests	(366,603)
Income taxes	478,029
Minority interests in loss	(103,914)
Net loss	(740,718)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

The first half of fiscal Year ending October 31, 2009

(Thousands of yen)

	1H FY2009
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(366,603)
Depreciation and other amortization	1,202,481
Amortization of negative goodwill	(50,268)
Increase (decrease) in provision for retirement benefits	66,239
Increase (decrease) in provision for directors' retirement benefits	(26,243)
Increase (decrease) in provision for directors' bonuses	(33,061)
Increase (decrease) in provision for bonuses	(329,021)
Increase (decrease) in allowance for doubtful accounts	165
Increase (decrease) in provision for special repairs	4,800
Interest and dividends income	(82,637)
Interest expenses	34,539
Foreign exchange losses (gains)	189,487
Loss (gain) on sales of noncurrent assets	(27,696)
Loss on retirement of noncurrent assets	56,897
Decrease (increase) in notes and accounts receivable-trade	6,090,026
Decrease (increase) in inventories	(490,276)
Increase (decrease) in notes and accounts payable-trade	(2,198,689)
Other, net	(108,638)
Subtotal	3,931,500
Interest and dividends income received	93,284
Interest expenses paid	(70,283)
Proceeds from insurance income	86,718
Income taxes paid	(937,223)
Net cash provided by (used in) operating activities	3,103,998
Net cash provided by (used in) investment activities	
Proceeds from withdrawal of time deposits	201,534
Payments into time deposits	(69,691)
Proceeds from sales of short-term investment securities	500,000
Purchase of property, plant and equipment	(1,329,288)
Proceeds from sales of property, plant and equipment	534
Purchase of intangible assets	(15,498)
Other, net	(31,165)
Net cash provided by (used in) investment activities	(743,574)

(Thousands of yen)

	1H FY2009
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	656,478
Proceeds from long-term loans payable	1,000,000
Repayment of long-term loans payable	(267,860)
Redemption of bonds	(12,500)
Purchase of treasury stock	(23)
Cash dividends paid	(606,490)
Other, net	(11,750)
Net cash provided by (used in) financing activities	757,853
Effect of exchange rate change on cash and cash equivalents	(599,192)
Net increase (decrease) in cash and cash equivalents	2,519,084
Cash and cash equivalents at beginning of period	6,208,311
Cash and cash equivalents at end of period	8,727,396

Commencing the current fiscal year, the Company is applying the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared under the Rules for Quarterly Consolidated Financial Statements.

- (4) Note for the assumption of going concern
There is no applicable information.

(5) Segment Information

(Business segment information)

First half of the fiscal year ended October 2009 (from November 1, 2008 to April 30, 2009)

(Thousands of yen)

	Optical Products	Electronics Products	Total	Elimination or company total	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to external customers	6,189,613	2,838,386	9,028,000	-	9,028,000
(2) Intergroup sales and transfers	-	-	-	-	-
Total	6,189,613	2,838,386	9,028,000	-	9,028,000
Operating income	153,862	(277,992)	(124,129)	-	(124,129)

(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 business	Optical lens blanks, lens materials for optical equipment
Electronics business	Glass disks for hard disks devices, Quartz Glass, highly homogeneous glass materials for semiconductor exposure devices, special glass products for liquid crystal exposure devices

(Note 3.) Change in Business Segmentation

We divided our businesses into optical products and information products from the perspective of the similarity in functions among products. Starting the first quarter under review, however, we are dividing our businesses into the optical business and the electronics business based on similarity of product applications.

With Ohara Quartz Co., Ltd. becoming a consolidated subsidiary, we reviewed the business segmentation based on the development of the operations of the Group. As a consequence, we have changed the business segmentation so that it will reflect the actual status of business segments more appropriately and will increase the effectiveness of business segment information.

As a result of the change, net sales in the optical business fell ¥183,736 thousand in the first half under review compared with net sales calculated under the old segmentation method, while net sales in the electronics business rose by the same amount. Operating income in the optical business declined ¥14,338 thousand, while operating income in the electronics business increased by the same amount.

(Geographical segment information)

First half of the fiscal year ended October 2009 (from November 1, 2008 to April 30, 2009)

(Thousands of yen)

	Japan	Asia	North America	Europe	Total	Elimination of company total	Consolidated
I. Net sales and operating income							
Net sales							
(1) Sales to external customers	5,050,282	2,885,527	498,361	593,828	9,028,000	-	9,028,000
(2) Intergroup sales and transfers	1,877,922	2,046,613	-	-	3,924,535	(3,924,535)	-
Total	6,928,205	4,932,141	498,361	593,828	12,952,536	(3,924,535)	9,028,000
Operating income(loss)	(1,230,792)	398,354	67,711	142,816	(621,909)	497,779	(124,129)

(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

(Overseas sales)

First half of the fiscal year ended October 2009 (from November 1, 2008 to April 30, 2009)

(Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	3,514,416	450,522	593,698	4,558,637
II. Consolidated sales	-	-	-	9,028,000
III. Ratio of overseas sales to consolidated sales (%)	38.9	5.0	6.6	50.5

(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.

(6) Notes regarding significant changes in the amount of shareholders' equity

There is no applicable information.