

## Flash Report (Consolidated Basis)

## Results for the first quarter 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 three months ended January 31, 2009)

## (1) Operating results

(Figures in percentages denote the increase or decrease from the previous 1Q period.)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2009	6,021	-	822	-	236	-	(232)	-
1Q FY2008	7,726	12.3	2,049	5.8	2,003	(1.2)	1,195	1.0

	Net income per share	Net income per share after dilution
	Yen	Yen
1Q FY2009	(9.55)	-
1Q FY2008	46.99	-

## (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q FY2009	54,859	40,957	73.4	1,655.02
FY2008	60,394	44,214	71.9	1,784.50

Reference: Own Capital: As of January 31, 2009: 40,259 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)	-	-	-	-	-
Year ending Oct. 2009 (forecast)	-	0.00	-	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

(Figures in percentages denote the increase or decrease from the previous 1Q period.)

	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
2Q FY2009	10,500	(29.4)	380	(89.1)	420	(88.2)	270	(85.7)	11.10
FY2009	26,300	(14.0)	1,910	(70.0)	2,130	(67.0)	1,370	(65.0)	56.32

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)

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

January 31, 2009:	1,124,109 shares	October 31, 2008:	1,124,089 shares
-------------------	------------------	-------------------	------------------
  - (c) Average number of issued shares (for the first quarter of fiscal years)

January 31, 2009:	24,325,901 shares	January 31, 2008:	25,448,564 shares
-------------------	-------------------	-------------------	-------------------

\* 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

(Operating results for the first quarter under review)

The domestic and overseas economies in the first quarter under review slowed as the financial instability triggered by the failure of a major U.S. financial institution late last year became more severe and increasingly evident in other economies. The financial insecurity dealt a tremendous blow to real economies. Foreign trade plummeted globally, involving Europe, the United States, and Asia. With a global decline in demand and a sharp appreciation in the value of the yen, the Japanese economy rapidly weakened. Exports dropped dramatically, and companies were forced to scale back production and employment.

In the optical equipment market, demand for compact digital cameras weakened significantly and prices plunged. Demand for single-lens reflex cameras, which had been relatively strong, also dropped. In the electronics equipment market, demand for hard disk drives plummeted following production and inventory adjustments by manufacturers. Demand stalled in the semiconductor exposure device market, and demand for glass materials declined. Sales of glass materials also fell in the liquid crystal exposure device market, as liquid crystal panel manufacturers cut capital spending.

In this environment, net sales in the first quarter under review stood at ¥6,021 million, down 22.1% year on year, reflecting a fall in demand for optical glass products for single-lens reflex digital cameras and interchangeable camera lenses and a decline in demand for hard disk substrates as inventory adjustments offset the addition of sales of Ohara Quartz Co., Ltd.

The gross margin on sales fell 6.6 percentage points year on year, to 36.9%, 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 and falling prices. Operating income was ¥822 million (down 59.9% year on year), reflecting increases in research and development expense and other expenses, despite a decrease in freight costs in association with lower sales. Ordinary profit came to ¥236 million (falling 88.2%), as a foreign exchange loss attributable to the sharp appreciation of the yen offset negative goodwill amortization. The Group posted a net loss of ¥232 million yen (compared with net income of ¥1,195 million for the same quarter of the previous fiscal year), partly because of the posting of a loss on the valuation of securities as an extraordinary loss.

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 ¥3,919 million, and operating income was ¥615 million.

#### (ii) Electronics business

Demand for disk products, the core products in this segment, plunged, mainly because of inventory adjustments by manufacturers. 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 glass panel manufacturers.

Starting the current consolidated fiscal year, the results of Ohara Quartz are reflected in the results of this business segment.

Sales in the segment were ¥2,101 million. Operating income stood at ¥206 million.

The following is a breakdown of results by geographical segment.

#### (i) Japan

Demand for optical pressings for digital cameras plummeted. Demand for highly homogeneous glass materials for semiconductor exposure devices and hard disk substrates also declined. Operating results were thus weak, although quartz glass began to contribute to sales from the first quarter under review.

As a result, sales were ¥3,349 million, and an operating loss of ¥99 million was posted.

#### (ii) Asia

Demand for lens blanks for digital cameras and ball lenses for compact digital cameras declined.

Sales were ¥2,106 million. Operating income stood at ¥499 million.

#### (iii) North America

Although demand for special products in the electronics business rose, demand for blocks in the optical business fell. As a consequence, sales amounted to ¥262 million, and operating income was ¥50 million.

#### (iv) Europe

In the electronics business, demand for highly homogeneous glass materials for semiconductor exposure devices and ultra low expansion glass-ceramics plummeted. As a consequence, sales were ¥302 million, and

operating income stood at ¥75 million.

## 2. Qualitative Information on Consolidated Financial Position

### (1) Financial position

Total assets at the end of the first quarter amounted to ¥54,859 million (down 9.2% 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 ¥13,902 million (falling 14.1%), mainly attributable to decreases in notes and accounts payable-trade, in accrued income taxes, and in allowances for employees' bonuses.

Net assets were ¥40,957 million (declining 7.4%), principally because of an increase in foreign exchange adjustment associated with the appreciation of the yen, a fall in retained earnings due to 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 first quarter under review stood at ¥6,210 million, rising slightly from the end of the previous fiscal year. Payments including payments for the acquisition of tangible fixed assets and dividends paid were more than offset by factors including a decrease in trade notes and accounts receivable.

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 ¥1,551 million.

The major factors behind the cash inflow included a decrease in notes and accounts receivable-trade of ¥1,829 million and a depreciation of ¥599 million despite income taxes paid of ¥811 million, a decrease in allowance for employees' bonuses of ¥340 million, and an increase in inventories of ¥434 million.

#### (Cash flows from investing activities)

Net cash used in investing activities was ¥328 million.

The cash outflow resulted primarily from payments of ¥528 million for the acquisition of tangible fixed assets despite proceeds of ¥214 million from the redemption of time deposits.

#### (Cash flows from financial activities)

Net cash used in financial activities was ¥594 million.

The cash outflow reflected an increase in long-term and short-term borrowings of ¥20 million more than offset by dividends paid of ¥608 million.

## 3. Qualitative Information on the Forecast of Consolidated Results

### (Forecast for the current fiscal year)

Although we announced on December 18, 2008 our forecast of consolidated results for the fiscal year ending October 31, 2009, the business environment has changed rapidly since then. We are preparing a new forecast and will announce it if we need to revise the announced 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 January 31, 2009

(Thousands of yen)

	1Q FY2009	1Q FY2008
<b>Assets</b>		
Current assets		
Cash and deposits	6,023,962	6,274,569
Notes and accounts receivable-trade	8,389,707	11,013,864
Short-term investment securities	705,263	704,375
Merchandise and finished goods	1,814,607	2,094,200
Work in process	4,063,928	4,103,057
Raw materials and supplies	2,238,294	2,109,666
Deferred tax assets	615,498	799,822
Other	346,085	764,188
Allowance for doubtful accounts	(7,798)	(12,087)
Total current assets	24,189,549	27,851,657
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	9,107,553	9,457,589
Accumulated depreciation	(4,315,775)	(4,323,064)
Buildings and structures, net	4,791,778	5,134,525
Machinery, equipment and vehicles	20,535,202	21,479,967
Accumulated depreciation	(12,008,410)	(12,224,715)
Machinery, equipment and vehicles, net	8,526,791	9,255,252
Tools, furniture and fixtures	11,897,195	11,891,534
Accumulated depreciation	(1,409,741)	(1,383,349)
Tools, furniture and fixtures, net	10,487,453	10,508,184
Land	208,149	407,732
Construction in progress	1,015,203	1,017,599
Total property, plant and equipment	25,029,375	26,323,294
Intangible assets	71,471	69,252
Investments and other assets-abstract		
Investment securities	3,086,203	3,794,008
Long-term time deposits	1,800,000	1,800,000
Deferred tax assets	70,460	70,527
Other	612,918	485,461
Investments and other assets	5,569,582	6,149,997
Noncurrent assets	30,670,429	32,542,544
Total assets	54,859,978	60,394,202

(Thousands of yen)

	1Q FY2009	1Q FY2008
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,394,927	4,183,570
Short-term loans payable	5,376,425	5,310,907
Current portion of bonds	125,000	125,000
Income taxes payable	73,991	818,357
Deferred tax liabilities	6,338	6,338
Provision for bonuses	374,391	736,433
Provision for directors' bonuses	42,349	68,484
Accounts payable-other	950,505	1,306,098
Other	972,531	666,225
Total current liabilities	11,316,460	13,221,416
Noncurrent liabilities		
Long-term loans payable	118,453	165,739
Deferred tax liabilities	581,722	871,011
Provision for retirement benefits	1,061,974	1,029,850
Provision for directors' retirement benefits	248,980	283,409
Provision for special repairs	43,700	46,400
Provision for environmental measures	27,734	27,973
Long-term accounts payable-other	24,706	30,498
Negative goodwill	477,554	502,688
Other	870	870
Total noncurrent liabilities	2,585,694	2,958,441
Total Liabilities	13,902,154	16,179,857
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,855,000	5,855,000
Capital surplus	7,930,785	7,930,785
Retained earnings	29,302,758	30,143,224
Treasury stock	(1,548,627)	(1,548,610)
Shareholders' equity	41,539,916	42,380,399
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	983,612	1,306,024
Foreign currency translation adjustment	(2,263,616)	(276,779)
Total valuation and translation adjustments	(1,280,003)	1,029,245
Minority interests	697,910	804,700
Total net assets	40,957,824	44,214,345
Total liabilities and net assets	54,859,978	60,394,202

## (2) CONSOLIDATED STATEMENTS OF INCOME

The first Quarter of fiscal Year ending October 31, 2009

(Thousands of yen)

	<b>1Q FY2009</b>
Net sales	6,021,180
Cost of sales	3,800,899
Gross profit	2,220,281
Selling, general and administrative expenses	1,398,044
Operating income	822,237
Non-operating income	
Interest income	21,117
Dividends income	9,366
Land and house rent received	3,588
Amortization of negative goodwill	25,134
Other	22,537
Total non-operating income	81,743
Non-operating expenses	
Interest expenses	16,950
Foreign exchange losses	642,289
Other	8,719
Total non-operating expenses	667,959
Ordinary income	236,021
Extraordinary income	
Gain on sales of noncurrent assets	352
Total extraordinary income	352
Extraordinary loss	
Loss on retirement of noncurrent assets	215
Loss on valuation of investment securities	164,750
Total extraordinary loss	164,965
Income before income taxes and minority interests	71,408
Income taxes	335,561
Minority interests in loss	(31,834)
Net loss	(232,317)

## (3) CONSOLIDATED STATEMENTS OF CASH FLOWS

The first Quarter of fiscal Year ending October 31, 2009

(Thousands of yen)

	1Q FY2009
<b>Net cash provided by (used in) operating activities</b>	
Income before income taxes and minority interests	71,408
Depreciation and other amortization	599,973
Amortization of negative goodwill	(25,134)
Increase (decrease) in provision for retirement benefits	23,748
Increase (decrease) in provision for directors' retirement benefits	(34,429)
Increase (decrease) in provision for bonuses	(340,341)
Increase (decrease) in allowance for doubtful accounts	(1,843)
Increase (decrease) in provision for special repairs	(2,700)
Loss (gain) on valuation of investment securities	164,750
Interest and dividends income	(30,483)
Interest expenses	16,950
Foreign exchange losses (gains)	257,450
Loss (gain) on sales of noncurrent assets	(352)
Loss on retirement of noncurrent assets	215
Decrease (increase) in notes and accounts receivable-trade	1,829,264
Decrease (increase) in inventories	(434,730)
Increase (decrease) in notes and accounts payable-trade	(160,529)
Other, net	411,994
Subtotal	2,345,211
Interest and dividends income received	31,049
Interest expenses paid	(13,773)
Income taxes paid	(811,156)
Net cash provided by (used in) operating activities	1,551,332
<b>Net cash provided by (used in) investment activities</b>	
Proceeds from withdrawal of time deposits	214,899
Payments into time deposits	(2,844)
Purchase of property, plant and equipment	(528,315)
Proceeds from sales of property, plant and equipment	551
Purchase of intangible assets	(14,567)
Other, net	1,568
Net cash provided by (used in) investment activities	(328,708)
<b>Net cash provided by (used in) financing activities</b>	
Net increase (decrease) in short-term loans payable	136,477
Repayment of long-term loans payable	(116,430)
Purchase of treasury stock	(16)
Cash dividends paid	(608,326)
Other, net	(5,835)
Net cash provided by (used in) financing activities	(594,131)
Effect of exchange rate change on cash and cash equivalents	(626,583)

(Thousands of yen)

	<b>1Q FY2009</b>
Net increase (decrease) in cash and cash equivalents	1,908
Cash and cash equivalents at beginning of period	6,208,311
Cash and cash equivalents at end of period	6,210,219

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 quarter of the fiscal year ended October 2009 (from November 1, 2008 to January 31, 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	3,919,560	2,101,620	6,021,180	-	6,021,180
(2) Intergroup sales and transfers	-	-	-	-	-
Total	3,919,560	2,101,620	6,021,180	-	6,021,180
Operating income	615,564	206,672	822,237	-	822,237

(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 ¥79,220 thousand in the first quarter 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 ¥7,599 thousand, while operating income in the electronics business increased by the same amount.

## (Geographical segment information)

First quarter of the fiscal year ended October 2009 (from November 1, 2008 to January 31, 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	3,349,350	2,106,745	262,238	302,846	6,021,180	-	6,021,180
(2) Intergroup sales and transfers	1,388,600	1,563,422	-	-	2,952,022	(2,952,022)	-
Total	4,737,950	3,670,167	262,238	302,846	8,973,203	(2,952,022)	6,021,180
Operating income(loss)	(99,814)	499,230	50,215	75,731	525,361	296,875	822,237

(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 quarter of the fiscal year ended October 2009 (from November 1, 2008 to January 31, 2009)

(Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	2,703,460	237,192	300,046	3,240,699
II. Consolidated sales	-	-	-	6,021,180
III. Ratio of overseas sales to consolidated sales (%)	44.9	3.9	5.0	53.8

(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.