

OHARA INC.

December 15, 2011

Flash Report (Japanese Accounting Standards) (Consolidated Basis)
Results for the fiscal year ended October 31, 2011

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
 Planned date for ordinary general meeting of shareholders: January 30, 2012
 Planned date for commencement of dividend payments: January 31, 2012
 Planned date for submission of quarterly securities report: January 31, 2012

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

1. Consolidated Financial Results (from November 1, 2010 to October 31, 2011)
(1) Operating results

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

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	28,659	4.4	1,644	(49.8)	1,624	(47.7)	866	(55.9)
FY2010	27,456	40.9	3,275	---	3,105	---	1,963	---

(Note): Comprehensive income: Year ended October 31, 2011: 411 million yen / (75.6%)
 Year ended October 31, 2010: 1,689 million yen / ---%

	Net income per share	Net income per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
FY2011	35.60	---	2.2	2.9	5.7
FY2010	80.72	---	5.0	5.7	11.9

(Reference): Equity in Income of Affiliates: Year ended October 31, 2011: (3 million yen)
 Year ended October 31, 2010: --- million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2011	57,879	40,490	69.4	1,651.49
FY2010	55,840	40,566	72.1	1,656.05

(Reference): Own Capital: As of October 31, 2011: 40,173 million yen, As of October 31, 2010: 40,284 million yen

(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
FY2011	(2,304)	(2,839)	1,129	4,974
FY2010	4,307	(2,417)	(1,036)	9,082

2. Dividends

(Base date)	Dividend per stock					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen			
Year ended Oct. 2010	---	0.00	---	20.00	20.00	486	24.8	1.2
Year ending Oct. 2011	---	0.00	---	20.00	20.00	486	56.2	1.2
Year ending Oct. 2012 (forecast)	---	0.00	---	20.00	20.00		44.2	

3. Forecast consolidated results for the fiscal year ending October 31, 2012

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	14,200	8.7	400	103.5	400	26.1	200	(1.5)	8.22
Full-year	32,600	13.7	2,100	27.7	2,100	29.3	1,100	27.0	45.22

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

New: ---companies (---) Excluded: --- companies (---)

(2) Changes of Accounting Methods and Presentation of Consolidated Financial Statements

(a) Changes due to revisions of accounting standards, etc.: Yes

(b) Changes other than (a) above: No

(3) Number of common shares issued

(a)	Number of issued shares (including treasury shares)	FY2011	25,450,000 shares	FY2010	25,450,000 shares
(b)	Number of treasury shares	FY2011	1,124,372 shares	FY2010	1,124,354 shares
(c)	Average number of issued shares	FY2011	24,325,635 shares	FY2010	24,325,702 shares

(Reference) Summary of non-consolidated basis

1. Performance (from November 1, 2010 to October 31, 2011)

(1) Operating results

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

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2011	23,517	6.8	181	(88.7)	781	(60.3)	621	(40.2)
FY2010	22,026	54.4	1,603	---	1,967	---	1,038	---

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2011	25.55	---
FY2010	42.71	---

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2011	48,003	32,934	68.6	1,353.92
FY2010	46,546	32,791	70.4	1,348.00

(Reference): Shareholders' equity: Year ended October 31, 2011: ¥32,934 million
Year ended October 31, 2010: ¥32,791 million

* Statement Relating to the Execution Status for Audit Procedures

This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

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

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.

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1. Operating Results

(1) Analysis of operating results

1) Consolidated business results for the fiscal year under review

During the fiscal year under review, the global economy initially recovered moderately but slowed towards the end of the fiscal year. In the United States, capital spending recovered, but the unemployment rate did not improve. Exports were sluggish. Although Germany expanded its exports, credit uncertainty in financial markets was conspicuous in Europe, reflecting debt problems in Southern Europe. Asia economies, especially domestic demand, continued to expand, but growth rates slowed in China and other emerging countries. The Japanese economy faced a challenging situation after the Great East Japan Earthquake but recovered moderately with the restoration of supply chains and the effects of economic measures.

In the optical equipment market, demand for digital cameras, especially for single-lens reflex cameras and interchangeable lenses, was solid, but demand for compact digital cameras was sluggish. In the electronics equipment market, needs for industrial products, such as exposure devices for electronic components, semiconductors, and liquid crystal, were strong in the first half of the fiscal year but slowed in the second half because of inventory adjustments. The rate of increase in demand for hard disk drives declined.

The average exchange rates of the U.S. dollar and the euro against the yen in the fiscal year under review were 81.25 yen and 114.42 yen, respectively, with the yen being approximately 8.6% and 4.5% stronger against the U.S. dollar and the euro, respectively, in comparison with the previous fiscal year.

In this environment, sales for the fiscal year under review stood at ¥28,659 million (up 4.4% year on year), reflecting strong demand for optical lenses for single-lens reflex digital cameras and interchangeable lenses, despite a sharp decline in the sales volume of hard disk glass substrates.

Although the capacity utilization ratio for optical glass remained high, the prices of rare earth metals continued to surge in association with China's controls on rare earth metals exports. As a consequence, profitability declined. In addition to that, the capacity utilization ratio for hard disk glass substrates fell. As a result, gross profit stood at ¥7,197 million (down 17.0%). Selling, general, and administrative expenses were ¥5,553 million (rising 2.8%), reflecting increases in expenses such as transportation costs, associated with a rise in sales of optical glass products. Operating income was ¥1,644 million (falling 49.8%). Ordinary profit came to ¥1,624 million (declining 47.7%), attributable to the posting of a fiduciary obligation fee.

With a gain on the revision of the retirement benefit plan, net income amounted to ¥866 million (dropping 55.9%).

Results by business segment are as follows:

(i) Optical business

Looking at optical pressings, the core products in this segment, sales of products for digital single-lens reflex cameras and interchangeable lenses increased, and sales of products for compact digital cameras were solid. Consequently, sales of optical pressings stood at ¥18,081 million (up 22.0% year on year). Sales of optical blocks were ¥2,364 million (rising 33.0%), reflecting a rise in sales to processing companies.

As a consequence, sales for the segment came to ¥20,446 million (increasing 23.2%), and operating income was ¥2,402 million (climbing 20.3%).

(ii) Electronics business

Sales of disk products (hard disk glass substrates), the core products in this segment, amounted to ¥2,135 million (down 60.1%), reflecting a sharp decline in sales volume associated with weak demand in the hard disk drive market. Sales of special products were ¥6,078 million (up 10.2%), attributable to an increase in sales of ultra low expansion glass-ceramics and highly homogeneous glass for industrial machinery, such as exposure devices for electronic components, semiconductors, and liquid crystal, and solid sales of quartz glass used in liquid crystal projector substrates.

As a result, sales in the segment were ¥8,213 million (down 24.4%). The operating loss stood at ¥757 million (compared with operating income of ¥1,278 million in the previous fiscal year).

2) Outlook for the next fiscal year

We forecast the following consolidated results for the next fiscal year (November 2011 through October 2012):

Sales of ¥32,600 million (up 13.7% year on year)

Operating income of ¥2,100 million (up 27.7%)

Ordinary profit of ¥2,100 million (up 29.3%)

Net income of ¥1,100 million (up 27.0%)

In its outlook for the next fiscal year, the Group assumes that the exchange rate for the yen will be 77 yen to the U.S. dollar and 105 yen to the euro.

The Group has prepared the above forecasts based on information currently available and certain assumptions that the Group deems reasonable. Actual results may differ materially from the forecasts.

(2) Financial analysis

1) Analysis of financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥57,879 million (up 3.7% from the end of the previous fiscal year). The principal factors included an increase in inventories, which offset decreases in cash and deposits and long-term time deposits.

Current assets stood at ¥29,407 million (rising 10.3%), primarily reflecting a ¥1,216 million fall in cash and deposits as a result of purchases of inventories and an increase in inventories of ¥5,538 million due to rising prices of rare earth and the building up of inventory.

Noncurrent assets were ¥28,472 million (down 2.4%), attributable chiefly to a decrease in long-term time deposits of ¥1,000 million with a transfer to current assets and a decline in construction in progress of ¥1,068 million owing to a transfer to assets, which more than offset an increase in machinery, equipment, and vehicles of ¥1,207 million because of the enhancement of facilities in production subsidiaries and a rise in long-term loans receivable of ¥459 million because of loans to affiliates.

Current liabilities came to ¥12,700 million (increasing 19.5%), mainly as a result of an increase in notes and accounts payable-trade of ¥1,382 million and a rise in short-term loans payable of ¥1,276 million, which more than offset a decrease in income taxes payable of ¥408 million due to a decline in taxable income.

Noncurrent liabilities were ¥4,687 million (up 0.8%), with a ¥493 million fall in the provision for retirement benefits associated with a retirement benefit plan revision more than offset by an increase of ¥360 million in long-term loans payable.

Net assets amounted to ¥40,490 million (falling 0.2%), chiefly reflecting a decrease in the foreign currency translation adjustment of ¥513 million because of a stronger yen, which offset net income of ¥866 million and an increase in retained earnings of ¥393 million.

2) Analysis of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review declined ¥4,108 million from the end of the previous fiscal year, to ¥4,974 million (down 45.2%). Cash inflows included income before income taxes and minority interests of ¥1,769 million (falling 36.2%), depreciation and amortization, and an increase in notes and accounts payable-trade, while cash outflows included an increase in inventories.

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

(Cash flows from operating activities)

Net cash used in operating activities was ¥2,304 million (a cash inflow of ¥4,307 million in the previous fiscal year).

Income before income taxes and minority interests of ¥1,769 million (down 36.2%), depreciation and amortization of ¥2,036 million (declining 4.5%), and an increase in notes and accounts payable-trade of ¥1,571 million (falling 15.4%) were more than offset by an increase in inventories of ¥5,764 million (up 466.8%) and an increase in notes and accounts receivable-trade of ¥428 million (falling 75.9%).

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,839 million (rising 17.4%).

The cash outflow resulted primarily from payments of ¥1,762 million (decreasing 30.8%) for the purchase of property, plant and equipment, which more than offset proceeds from withdrawal of time deposits of ¥223 million (down 53.3%).

(Cash flows from financial activities)

Net cash provided by financial activities was ¥1,129 million (a cash outflow of ¥1,036 million in the previous fiscal year).

The cash inflow primarily reflected a net increase in short-term loans payable of ¥1,050 million (a decrease of ¥2,148 million in the previous fiscal year) and proceeds from long-term loans payable of ¥1,300 million (declining 35.0%), which more than offset ¥486 million in cash dividends paid (increasing 33.3%).

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

	FY 2008	FY 2009	FY 2010	FY 2011
Equity ratio (%)	71.9	74.4	72.1	69.4
Market value-based equity ratio (%)	35.6	64.1	42.3	32.5
Ratio of interest-bearing debt to cash flow	120.4	185.0	138.7	—
Interest coverage ratio	141.7	51.0	68.1	—

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

1. Each indicator is calculated based on consolidated financial data.
2. The total market value of shares is calculated by multiplying the closing stock price at the end of the period by the number of shares issued (excluding treasury stocks) at the end of the period.
3. For operating cash flows, cash flows from operating activities in the consolidated cash flow statement are used.
4. All debts involving the payment of interest and stated in the consolidated balance sheets are included in interest-bearing debt. For the calculation of interest payments, interest payments recorded in the consolidated statements of cash flows are used.
5. The ratio of interest-bearing debt to cash flow and the interest coverage ratio for FY 2011 are omitted, because operating cash flows were negative.

(3) Principle policy on the distribution of profits and dividends in fiscal 2011 and fiscal 2012

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

For the fiscal year under review, we will propose a common dividend of ¥20 at the 103rd ordinary general meeting of shareholders to be held on January 30, 2012.

For the next fiscal year, the Company plans to pay a common dividend of ¥20.

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

(4) Business risks

The following are the main business risks that could have impact on the operating results and financial conditions of the Group. The future risks described herein are based on our judgment as of the end of the fiscal year under review.

1) Dependence on a certain business

The Group is heavily dependent on the optical business, which accounts for approximately 70% of net sales. Although demand for single-lens digital cameras and interchangeable lenses is expected to remain firm, sales and profit margins could decline, reflecting the downscaling of the camera market due to business slowdown, surging prices of raw materials, and intensifying competition with competitors in Japan and overseas. We will continue our efforts to solidify the pillars of our optical business by introducing operational reforms and achieving streamlining with an emphasis on customer satisfaction in quality, price and delivery time, and by developing a highly efficient production organization. At the same time, we will expand our electronics business by bolstering the product lineup. The operating results and financial conditions of the Group could be affected, however, subject to the success of these endeavors.

2) Dependence on certain customers

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

3) Changes in foreign exchange rates

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

4) Changes in interest rates

The balance of interest-bearing debt of the Group at the end of the period under review was ¥7,611 million. Interest-bearing debt declined from a year ago through planned repayment, and the Group will continue to reduce interest-bearing debt to improve its financial strength. However, rapid changes in the interest rate environment and the financial market could have an adverse effect on the business results and financial conditions.

5) Risks relating to overseas business operations

The Group operates businesses in overseas markets, mostly in Asia, and overseas sales account for approximately 50% of consolidated sales. Operations in overseas markets involve various risks including unexpected changes in laws and regulations, the imposition of taxes due to revisions to the tax law and transfer price taxation, unfavorable political and economic developments, difficulty in hiring and securing personnel, the impact of changes in foreign exchange rates on results, and social disturbances due to terrorism, wars and other factors. The occurrence of any of these risks could have an impact on the business results and financial conditions of the Group.

6) Risks relating to litigation

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

7) Risks relating to major shareholding companies

(Seiko Holdings Corporation)

Seiko Holdings Corporation is the largest shareholder of the Company (with a shareholding of 18.5% as of the end of October 2011), and the Company is an equity-method affiliate of Seiko Holdings Corporation. Seiko Holdings Corporation is one of the "Other related companies" of the Company.

Although the Company currently has two part-time directors and one part-time corporate auditor from the Seiko Holdings Corporation Group, it did not have any business transactions with Seiko Holdings Corporation in the fiscal year ended October 31, 2010 and the fiscal year ended October 31, 2011.

Meanwhile, the Company held 256,307 shares in Seiko Holdings Corporation as of the end of October 2011 (a shareholding of 0.14%) for the purpose of strengthening its ties with the Seiko Holdings Corporation Group in the future.

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

(Canon Inc.)

Canon Inc. is the second largest shareholder of the Company (a shareholding of 18.4% as of the end of October 2011), and the Company is an equity-method affiliate of Canon Inc., while Canon Inc. is one of the

“Other related companies” of the Company.

The Company currently has one part-time director and one part-time corporate auditor from Canon Inc. Group. Transactions with Canon Inc. in the fiscal year ended October 31, 2010 and the fiscal year ended October 31, 2011 are as described in “Transactions with related parties.” Terms and conditions of the transactions are the same as those for general transactions, and no conflict of interest or other issue has arisen.

Meanwhile, the Company had 729,658 shares in Canon Inc. as of the end of October 2011 (a shareholding of 0.05%) for the purpose of maintaining and strengthening the relationship with the Canon Group in the future.

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

8) Risks relating to raw materials

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

9) Risks relating to earthquakes, other natural disasters, and accidents

The Group has established a business continuity plan (BCP) to continue its important businesses, to fulfill its corporate social responsibility, and to continue its business activities, including a stable supply of high-performance and high-quality products and services that its customers need when natural disasters occur, such as earthquakes, major floods, volcanic eruptions, accidents, or when there is an infectious diseases outbreak, such as a new strain of fl. The Group also takes steps that include earthquake-resistance measures, regular inspections, and disaster drills.

However, if unexpected natural disasters or accidents occur, shipments of products to customers could stop, and the continuity of business activities of the Group could be adversely affected due to the suspension of the functions of the Group, damage to facilities, disruptions of electricity, water, and gas, the stopping of public transportation systems and means of communication, and damage to supply chains, among other factors.

2. Business Overview

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

The Group (the Company, consolidated subsidiaries and equity method affiliate; hereinafter the same applies) consists of ten consolidated subsidiaries and one equity method affiliate. Its main business is the manufacture and sale of glass materials for optical and electronics devices. The Company engages mainly in the production and sale of materials and the sale of products. The consolidated subsidiaries process and sell the products.

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

(1)Optical business

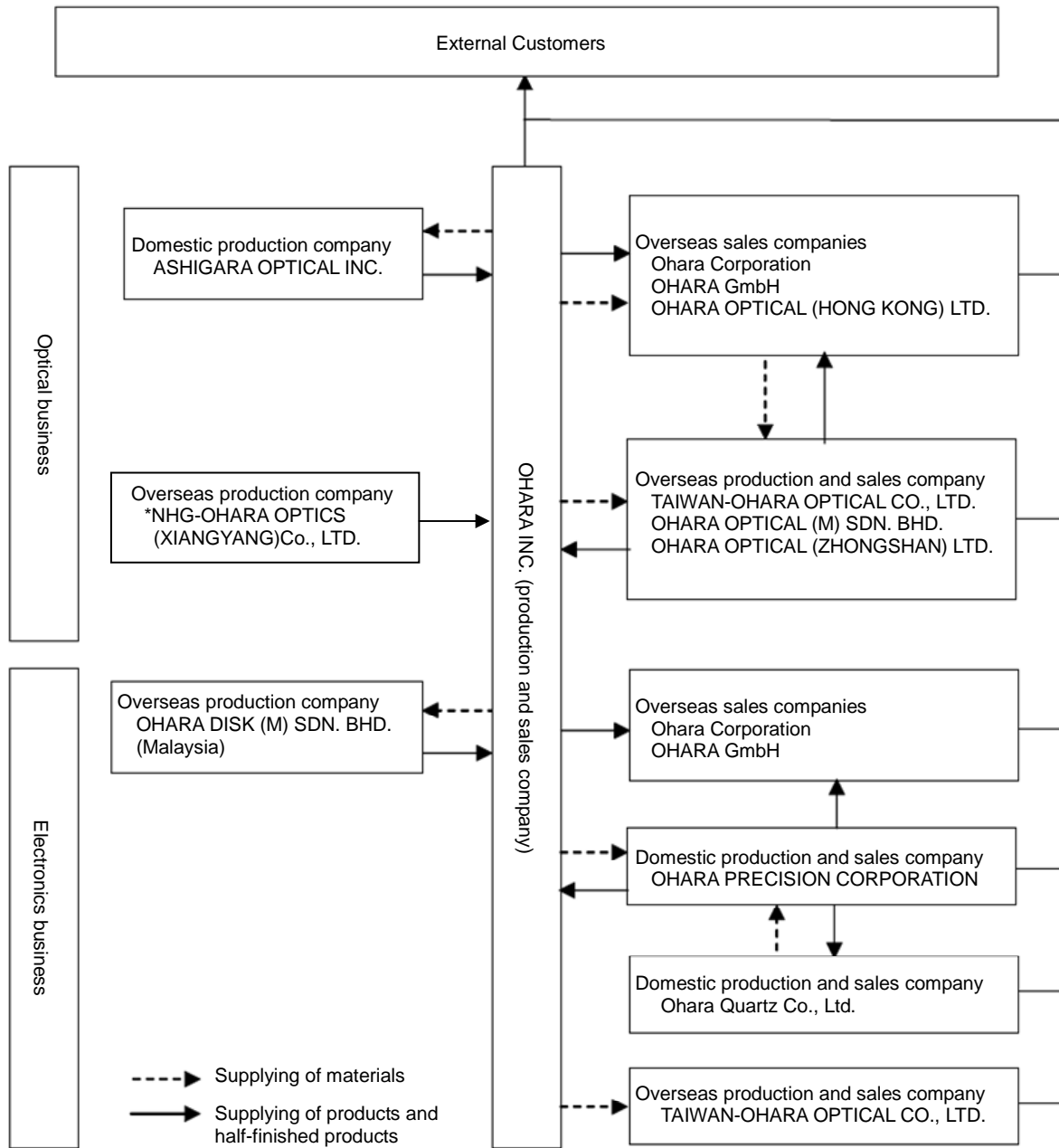
In its optical products segment, the Group possesses a stable mass production system based on optical glass production technologies. This is an integrated production system involving domestic and overseas production subsidiaries system, which the Group has been building since its foundation, and handles all processes from the melting of raw materials to molding for different purposes. We produce and sell optical lens blanks used in digital devices such as digital cameras and LCD projectors, 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)Electronics business

In this segment, the Group produces and sells glass-ceramics, including glass disks for hard disk devices installed mainly in mobile equipment, highly homogeneous glass materials and low expansion glass-ceramics used for semiconductor manufacturing equipment and liquid crystal exposure devices, and quartz glass and polished quartz glass for LCDs, semiconductor manufacturing equipment, and projectors. 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 business	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. (HONG KONG) ASHIGARA OPTICAL INC. NHG-OHARA OPTICS (XIANGYANG)Co., LTD. (PRC)
Electronics business	OHARA INC. TAIWAN-OHARA OPTICAL CO., LTD. (ROC) Ohara Corporation (USA) OHARA GmbH (Germany) OHARA PRECISION CORPORATION OHARA DISK (M) SDN. BHD. (Malaysia) Ohara Quartz Co., Ltd.

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



(Note) *equity method affiliate

(Note) There are no business transactions with Seiko Holdings Corporation. Canon Inc. is a customer of the Company. Business terms including prices for Canon Inc. are the same as those for other customers with which the Company does not have special relationships.

3. Management Policy

(1) Principle management policy

The Group has developed a management policy of constantly creating new, distinct value, developing powerful companies, and contributing to the happiness of all employees and the prosperity of society. It shares this policy among all employees, making it a code of conduct.

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

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

To achieve its long-term visions, the Group has developed the following policies for each business:

1) Optical business

The Group will differentiate itself from its competitors by developing molding techniques and will pursue the potential of optical technologies by providing the ultimate performance material. In doing so, the Group aims to become a pioneer in the optics industry that can achieve technological innovation with customers.

2) Electronics business

The Group will differentiate its products from those of its competitors by focusing on high value-added products, helping to create a safe and comfortable society by efficiently developing, manufacturing, and selling functional materials that will assist customers in solving issues that confront them.

3) Environmental and energy business

The Group will contribute to the creation of new value for a low-carbon society friendly to both people and the environment, and will make the business the third pillar of the Group by investing in growth areas, such as battery materials and photovoltaic generation, and developing businesses in these fields at an early stage.

4) Internal reforms

(i) Human resource development

The Group will cultivate personnel capable of detecting changes with sensitivity, acting swiftly and taking on challenges without fear of failure.

(ii) Corporate culture

The Group will foster a culture that attracts people with diverse strengths and encourages them to create new products on an ongoing basis with a sense of self-reliance and precision.

(iii) Organizational reform

The Group will build organizational systems that will be most efficient and responsive in accordance with the growth stage of each business.

(iv) Operational efficiency

The Group will reform its sales, management, development and production operations, aiming to achieve greater efficiency and effectiveness so as to maximize the value added to its products and services, and to create a proposal-based business that will anticipate customers' needs.

(2) Target management indicators

The Group has set the following target consolidated results as target management indicators for the fiscal year ending October 31, 2014.

Target indicators for the year ending October 2014
Sales of at least ¥42.0 billion
Ordinary profit of at least ¥4.7 billion
ROA (return on assets) of at least 7%
Ratio of interest-bearing debt to total assets of no more than 15%

(3) Medium- to long-term management strategies

The following is an outline of the medium-term management plan (for the fiscal year ending October 2012 through the fiscal year ending October 2014) that the Group has established as part of its long-term vision:

Principle policy

Changing business structure

Creating new growth drivers

Priority initiatives

Establish a global glass material production system.

(i) Expand joint ventures in China.

Secure a stable supply of raw materials, import half-finished goods, cut costs by manufacturing optical glasses.

(ii) Expand sales of low Tg optical glasses and molded glass.

(iii) Start melting in Taiwan.

Respond to expanding demand for optical glass by providing high-quality products in shorter delivery periods.

(iv) Divert production facilities for hard disk glass substrates.

Reduce fixed costs in response to changes in demand for hard disk glass substrates.

Restructuring hard disk glass substrate business

Reverse declining demand by introducing new materials.

Restructuring special product business

Expand sales of ultra low expansion materials and quartz glass.

Developing new business

Promote the commercialization of lithium-ion batteries.

Bolstering the internal control system

Develop human resources capable of dealing with the globalization of production bases.

Bolster the business management system.

Strengthen financing and the financial foundations in association with expansion of operations.

(4) Key management issues

Looking at the business environment, we expect that growth in the global economy generally will remain low with real economies adversely affected by rising credit uncertainty in financial markets triggered by sovereign debt problems in Europe, and with the United States forced to pursue a tight fiscal policy. Although Thailand will recover from the flooding, we expect that growth in Asia will slow given sluggish growth of exports to Europe and the United States. In Japan, we anticipate that the restoration of inventory after the earthquake will come to a halt and are concerned that growth will decline with exports witnessing sluggish growth in association with a slowdown in the world economy.

In the market relating to the optical business, demand for optical glass products for digital cameras, particularly for single-lens reflex cameras and interchangeable lenses, is expected to remain solid. In the market relating to the electronics business, we anticipate an adjustment in the production of hard disk drives due to the effect of the flooding in Thailand in the first half of next fiscal year, but believe that production will recover in the second half. In the circumstances, the Group is likely to face challenging conditions in domestic production, including persistently high prices of rare earth metal prices, electricity restrictions, and declining competitiveness associated with a strong yen. Meanwhile, competition with countries in Asia, especially China, is expected to intensify.

Responding to these circumstances, the Group will develop a medium-term management plan for the three years concluding the fiscal year ending October 2014 and will take steady action to achieve the targets set out in its management plan. Although the operating environment is expected to remain challenging, the Group will make a comprehensive effort to cut costs, while aiming to enhance its manufacturing technologies and streamline its production bases. It also aims to expand sales in growing Asian markets, retaining high quality and improving costs. The OHARA Group will develop a robust management organization that can withstand changes to the operating environment and will prepare for future growth by investing aggressively in promising areas, accelerating the development of new products and building new businesses. Meanwhile, the Group will endeavor to protect the environment and will enhance its internal control system to supplement its corporate governance, so that it will be able to fulfill its corporate social responsibility and contribute to society as a good corporate citizen.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

At October 31, 2011

(Thousands of yen)

	FY2010	FY2011
Assets		
Current assets		
Cash and deposits	7,408,738	6,192,541
Notes and accounts receivable-trade	8,781,775	9,012,342
Short-term investment securities	2,008,043	8,615
Merchandise and finished goods	1,258,752	1,579,516
Work in process	3,939,877	5,513,480
Raw materials and supplies	2,109,715	5,753,863
Deferred tax assets	628,460	399,945
Other	544,878	967,076
Allowance for doubtful accounts	(16,654)	(20,329)
Total current assets	26,663,586	29,407,053
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	9,193,093	9,611,589
Accumulated depreciation	(4,855,034)	(5,170,436)
Buildings and structures, net	4,338,058	4,441,152
Machinery, equipment and vehicles	19,578,526	20,762,535
Accumulated depreciation	(12,650,027)	(13,791,843)
Machinery, equipment and vehicles, net	6,928,498	6,970,691
Tools, furniture and fixtures	12,018,780	12,377,061
Accumulated depreciation	(1,619,956)	(1,703,323)
Tools, furniture and fixtures, net	10,398,823	10,673,738
Land	201,840	201,934
Construction in progress	1,416,745	348,192
Total property, plant and equipment	23,283,966	22,635,709
Intangible assets	62,380	92,926
Investments and other assets		
Investment securities	4,099,219	4,556,064
Long-term loans receivable	1,614	460,779
Long-term time deposits	1,000,000	---
Deferred tax assets	53,210	11,093
Other	676,093	715,938
Total investments and other assets	5,830,137	5,743,875
Total noncurrent assets	29,176,484	28,472,511
Total assets	55,840,070	57,879,565

(Thousands of yen)

	FY2010	FY2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,689,229	5,071,329
Short-term loans payable	4,055,640	5,331,640
Income taxes payable	642,448	234,009
Deferred tax liabilities	16,166	---
Provision for bonuses	596,884	605,885
Provision for directors' bonuses	48,851	76,042
Accounts payable-other	995,302	956,152
Other	580,704	425,884
Total current liabilities	10,625,227	12,700,944
Noncurrent liabilities		
Long-term loans payable	1,919,640	2,280,000
Deferred tax liabilities	1,116,763	1,185,269
Provision for retirement benefits	1,212,499	718,708
Provision for directors' retirement benefits	269,202	169,446
Provision for special repairs	101,600	140,000
Provision for environmental measures	27,734	3,725
Asset retirement obligations	---	92,949
Other	958	97,652
Total noncurrent liabilities	4,648,398	4,687,752
Total liabilities	15,273,625	17,388,696
Net assets		
Shareholders' equity		
Capital stock	5,855,000	5,855,000
Capital surplus	7,930,785	7,930,785
Retained earnings	29,238,723	29,632,295
Treasury stock	(1,548,947)	(1,548,963)
Total shareholders' equity	41,475,562	41,869,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,601,947	1,610,905
Foreign currency translation adjustment	(2,793,139)	(3,306,493)
Total valuation and translation adjustments	(1,191,191)	(1,695,587)
Minority interests	282,073	317,340
Total net assets	40,566,444	40,490,868
Total liabilities and net assets	55,840,070	57,879,565

(2) CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME
 (Consolidated Statements of Income)

Years ended October 31

(Thousands of yen)

	FY2010	FY2011
Net sales	27,456,482	28,659,614
Cost of sales	18,781,206	21,461,808
Gross profit	8,675,275	7,197,806
Selling, general and administrative expenses	5,400,061	5,553,073
Operating income	3,275,214	1,644,732
Non-operating income		
Interest income	20,856	21,927
Dividends income	104,310	117,338
Land and house rent received	12,804	10,740
Insurance return	235	9,774
Subsidy income	14,361	2,804
Fiduciary obligation fee	34,400	88,000
Other	90,348	99,357
Total non-operating income	277,316	349,942
Non-operating expenses		
Interest expenses	77,978	66,236
Foreign exchange losses	352,015	274,222
Equity in losses of affiliates	---	3,426
Other	17,081	26,219
Total non-operating expenses	447,075	370,105
Ordinary income	3,105,455	1,624,570
Extraordinary income		
Gain on revision of retirement benefit plan	---	551,266
Gain on sales of noncurrent assets	4,655	10,349
Total extraordinary income	4,655	561,615
Extraordinary loss		
Loss on sales of noncurrent assets	7,003	6,111
Loss on retirement of noncurrent assets	33,380	61,560
Loss on valuation of investment securities	295,750	191,950
Impairment loss	---	24,067
Loss on adjustment for changes of accounting standard for asset retirement obligations	---	86,831
Loss on disaster	---	46,231
Total extraordinary losses	336,134	416,752
Income before income taxes and minority interests	2,773,976	1,769,432
Income taxes-current	901,656	534,148
Income taxes-deferred	(125,624)	316,739
Total income taxes	776,032	850,888
Income before minority interests	---	918,544
Minority interests in income	34,388	52,522
Net income	1,963,555	866,022

(Consolidated Statements of Comprehensive Income)

Years ended October 31

(Thousands of yen)

	FY2010	FY2011
Income before minority interests	---	918,544
Other comprehensive income		
Valuation difference on available-for-sale securities	---	8,957
Foreign currency translation adjustment	---	(468,472)
Share of other comprehensive income of associates accounted for using	---	(47,297)
Total other comprehensive income	---	(506,812)
Comprehensive income	---	411,731
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	---	361,625
Comprehensive income attributable to minority interests	---	50,106

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31

(Thousands of yen)

	FY2010	FY2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,773,976	1,769,432
Depreciation and amortization	2,131,882	2,036,718
Impairment loss	---	24,067
Loss on adjustment for changes of accounting standard for asset retirement	---	86,831
Loss on disaster	---	46,231
Gain on revision of retirement benefit plan	---	(551,266)
Equity in (earnings) losses of affiliates	---	3,426
Increase (decrease) in provision for retirement benefits	50,732	7,147
Increase (decrease) in provision for directors' retirement benefits	(11,054)	(99,755)
Increase (decrease) in provision for bonuses	171,229	15,008
Increase (decrease) in allowance for doubtful accounts	1,508	4,548
Increase (decrease) in provision for special repairs	34,800	38,400
Interest and dividends income	(125,166)	(139,265)
Interest expenses	77,978	66,236
Foreign exchange losses (gains)	145,932	(26,410)
Loss on retirement of noncurrent assets	33,380	61,560
Loss (gain) on sales of property, plant and equipment	2,347	(4,237)
Loss (gain) on valuation of investment securities	295,750	191,950
Decrease (increase) in notes and accounts receivable--- trade	(1,773,868)	(428,299)
Decrease (increase) in inventories	(1,016,912)	(5,764,300)
Increase (decrease) in notes and accounts payable--- trade	1,858,448	1,571,763
Other, net	(127,246)	(479,516)
Subtotal	4,523,718	(1,569,729)
Interest and dividends income received	125,344	133,912
Interest expenses paid	(63,253)	(75,910)
Proceeds from insurance income	4,162	81,947
Income taxes paid	(282,569)	(875,122)
Net cash provided by (used in) operating activities	4,307,402	(2,304,902)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	478,053	223,410
Payments into time deposits	(204,800)	(108,173)
Purchase of investment securities	(102,899)	(625,818)
Purchase of property, plant and equipment	(2,547,746)	(1,762,210)
Proceeds from sales of property, plant and equipment	14,285	12,271
Purchase of intangible assets	(26,029)	(73,791)
Other, net	(28,719)	(505,231)
Net cash provided by (used in) investing activities	(2,417,855)	(2,839,544)

(Thousands of yen)

	FY2010	FY2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,148,000)	1,050,000
Proceeds from long-term loans payable	2,000,000	1,300,000
Repayment of long-term loans payable	(484,360)	(713,640)
Purchase of treasury stock	(96)	(16)
Repayments of installment payables	(24,318)	(6,164)
Cash dividends paid	(364,652)	(486,013)
Cash dividends paid to minority shareholders	(15,512)	(14,840)
Net cash provided by (used in) financing activities	(1,036,939)	1,129,326
Effect of exchange rate change on cash and cash equivalents	(341,965)	(93,149)
Net increase (decrease) in cash and cash equivalents	510,641	(4,108,270)
Cash and cash equivalents at beginning of period	8,572,320	9,082,961
Cash and cash equivalents at end of period	9,082,961	4,974,691

Note for the assumption of going concern
There is no applicable information.

(Segment Information)

a. Business segment information

Fiscal year 2010 (from November 1, 2009 to October 31, 2010)

(Thousands of yen)

	Optical business	Electronics business	Total	Elimination or company total	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to external customers	16,593,349	10,863,132	27,456,482	---	27,456,482
(2) Intergroup sales and transfers	---	---	---	---	---
Total	16,593,349	10,863,132	27,456,482	---	27,456,482
Operating expenses	14,596,571	9,584,696	24,181,267	---	24,181,267
Operating income	1,996,778	1,278,435	3,275,214	---	3,275,214
II. Assets, depreciation and capital expenditures					
Assets	25,594,843	19,682,067	45,276,910	10,563,159	55,840,070
Depreciation	1,005,093	1,126,788	2,131,882	---	2,131,882
Capital expenditures	666,096	2,083,179	2,749,275	---	2,749,275

(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 for semiconductor exposure devices, special glass products for liquid crystal exposure devices

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

(Note 4.) Assets that are included in "Elimination or company total" in the fiscal year under review are ¥10,563,159 thousand, and the major items are undesignated funds (cash on hand and in banks) and long-term investment funds (investment securities) etc.

b. Geographical segment information

Fiscal year 2010 (from November 1, 2009 to October 31, 2010)

(Thousands of yen)

	Japan	Asia	North America	Europe	Total	Elimination or company total	Consolidated
I. Net sales and operating income							
Net sales							
(1) Sales to external customers	17,606,784	7,865,027	1,011,289	973,381	27,456,482	---	27,456,482
(2) Intergroup sales and transfers	7,722,545	6,224,240	---	995	13,947,780	(13,947,780)	---
Total	25,329,329	14,089,267	1,011,289	974,377	41,404,263	(13,947,780)	27,456,482
Operating expenses	23,540,201	12,741,257	928,160	820,245	38,029,864	(13,848,596)	24,181,267
Operating income	1,789,127	1,348,010	83,129	154,131	3,374,198	(99,184)	3,275,214
II. Assets	48,811,219	15,904,397	730,086	809,857	66,255,561	(10,415,491)	55,840,070

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

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

(1) Asia: Malaysia, Taiwan, Hong Kong, China

(2) North America: The United States

(3) Europe: Germany

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

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

c. Overseas sales

Fiscal year 2010 (from November 1, 2009 to October 31, 2010)

(Thousands of yen)

	Asia	North America	Europe	Total
I. Overseas sales	11,568,606	964,799	976,348	13,509,755
II. Consolidated sales	---	---	---	27,456,482
III. Ratio of overseas sales to consolidated sales (%)	42.1	3.5	3.6	49.2

(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.

d. Segment information

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011)

1. Outline of reported segments

The reported segments of the Company are its constituent units for which separate information is available and which the Board of Directors reviews regularly to determine the allocation of management resources and assess performance.

The Company has two segments, defined by product: the optical business, the main products of which are products for optical products, including optical lens blanks and lens materials for optical equipment, and the electronics business, which mainly deals in products for electronics, including hard disk glass substrates and highly homogeneous glass for semiconductor exposure devices.

2. Method used to calculate net sales, income (loss), assets, liabilities, and other items by reported segment

The total amounts for segments for each item is equal to the amount posted on the consolidated balance sheets or the consolidated statements of income. The accounting methods for reported segments are the same as the accounting methods described in the basis for the preparation of consolidated financial statements.

Segment income is operating income.

3. Net sales, income (loss), assets, liabilities, and other items by reported segment

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011) (Thousand yen)

	Reported segment			Other (Note)	Amount on consolidated financial statements
	Optical business	Electronics business	Total		
Net sales					
Sales to external customers	20,446,211	8,213,403	28,659,614	---	28,659,614
Intergroup sales and transfers	---	---	---	---	---
Total	20,446,211	8,213,403	28,659,614	---	28,659,614
Segment income (loss)	2,402,452	(757,720)	1,644,732	---	1,644,732
Segment assets	34,430,195	17,723,850	52,154,045	5,725,520	57,879,565
Other items					
Depreciation	1,035,776	1,000,942	2,036,718	---	2,036,718
Investments in equity method affiliates	639,775	---	639,775	---	639,775
Increase in property, plant and equipment and in intangible assets	1,191,079	1,471,151	2,662,230	---	2,662,230

(Note) Segment assets in the "Other" column are assets for the entire Group, and the major items are undesignated funds (cash on hand and in banks) and long-term investment funds (investment securities) of the parent company.

(Additional information)

Starting the fiscal year under review, the Company is applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, March 27, 2009) and the Guideline on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008).

e. Related information

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011)

1. Information by product and service

The information is stated in the segment information.

2. Information by area

(1) Sales

(Thousand yen)

Japan	China	Asia	North America	Europe	Total
14,320,745	5,536,425	5,781,867	1,423,964	1,596,612	28,659,614

(Note) Sales are distributed to countries and regions based on the location of customers.

(2) Property, plant and equipment

(Thousand yen)

Japan	Malaysia	Asia	North America	Europe	Total
16,187,088	5,191,423	1,145,773	43,162	68,261	22,635,709

3. Information by major customer

(Thousand yen)

Customer	Sales	Related segment
Canon Inc.	3,494,365	Mainly optical business

f. Impairment loss on noncurrent assets by reported segment

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011)

(Thousand yen)

	Optical business	Electronics business	Other	Total
Impairment loss	---	24,067	---	24,067

g. Amortization of goodwill and unamortized balance by reported segment

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011)

Not applicable

h. Gain on negative goodwill by reported segment

Fiscal year ended October 2011 (from November 1, 2010 to October 31, 2011)

Not applicable