

USHIO

Annual Report 2007

Year ended March 31, 2007

Lighting Edge Technologies

2007

USHIO INC. began operations as a manufacturer of industrial light sources in 1964. The Company has since evolved into a “light creator” that provides light units, devices, systems as well as “light solutions” through developing new light sources and developing and applying proprietary optical technology.

USHIO’s light technology is not only for “illumination” but also is widely employed in cutting-edge industrial segments and the science and technology arena as an energy source. In addition to producing countless products that have captured the top global share, we are currently cultivating new business fields in such areas as biotechnology, medical science and micro electronic mechanical systems (MEMS).

Amid the ever-accelerating pace of change, “light” plays an increasingly critical role as an effective means of resolving the various bottlenecks in technological innovation.

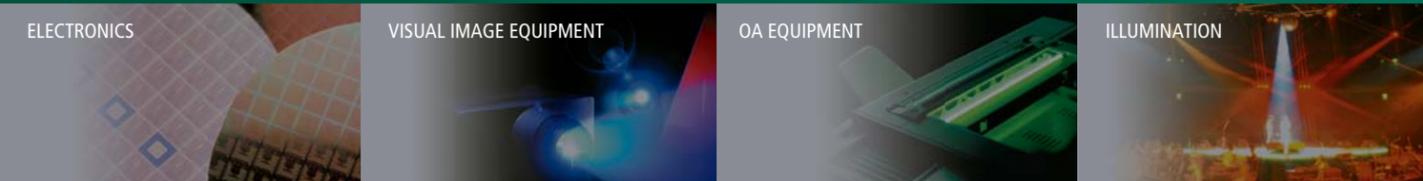
Through the constant pursuit of “light innovations,” USHIO will continue to contribute to the development of an affluent society, industries and lifestyles.

Consolidated Financial Highlights

USHIO INC. and Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
FOR THE YEAR:				
NET SALES	¥ 151,495	¥ 129,284	¥ 119,159	\$1,283,320
OPERATING INCOME	19,727	18,501	20,189	167,113
NET INCOME	16,553	14,895	13,634	140,223
AT YEAR-END:				
TOTAL ASSETS	237,520	213,027	187,251	2,012,035
NET ASSETS	170,738	150,533	129,302	1,446,322
PER SHARE OF COMMON STOCK (YEN AND U.S. DOLLARS):				
NET INCOME	¥ 120.16	¥ 107.81	¥ 98.89	\$ 1.02
CASH DIVIDENDS	24.00	20.00	20.00	0.20
NET ASSETS	1,233.65	1,089.67	935.80	10.45

Note: Fiscal 2007 yen amounts have been translated into U.S. dollar amounts at ¥118.05=US\$1.00, the exchange rate prevailing on March 31, 2007.

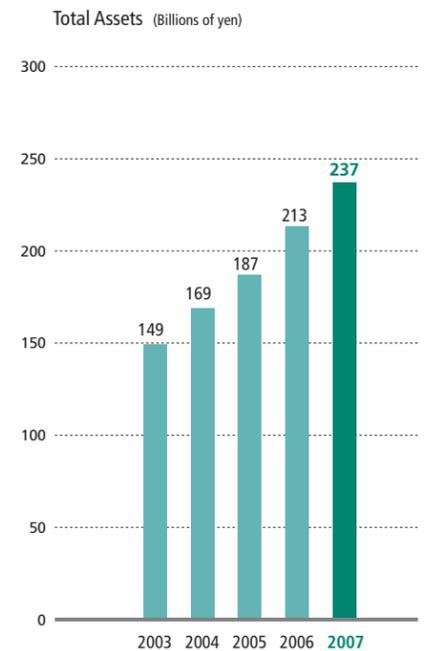
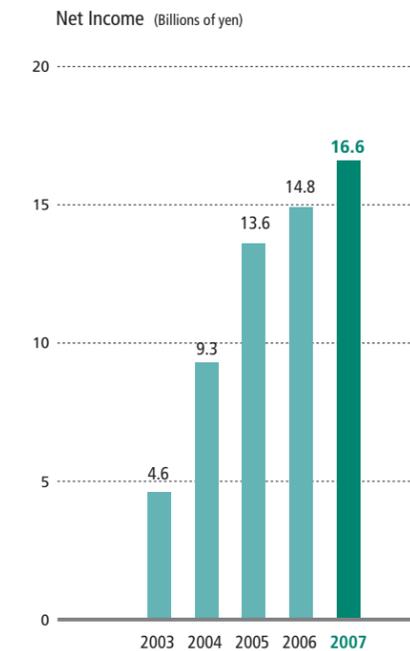
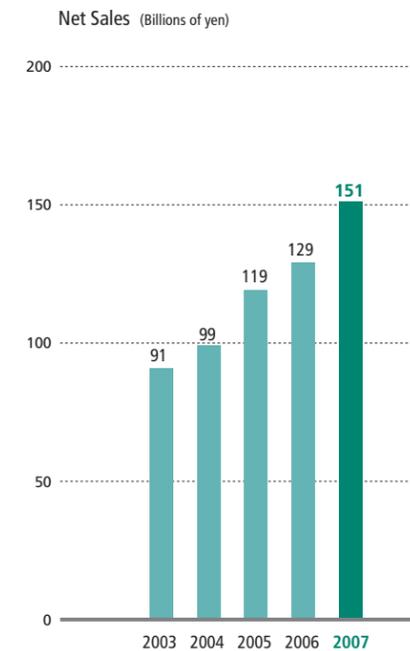


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Forward-Looking Statements
The plans, strategies and other statements related to the outlook for future results in this annual report reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.

USHIO Group Management Philosophy

- Build both a prosperous Company and prosperous employees.
- Deliver products and services that are competitive in the global market.
- Contribute to society through superior products and innovative research and development.
- Expand profits, corporate responsibility and competitiveness through open and free-thinking business operations.



Targeting Growth Through Overall Optimization of Development, Production and Sales to Adequately Respond to Changes in the Business Environment



Shiro Sugata
President and CEO

Achieved Record Highs for Net Sales, Ordinary Income and Net Income

We are deeply grateful to our shareholders and investors for their exceptional support and encouragement.

Gradual expansion of the Japanese economy continued during fiscal 2007, ended March 31, 2007, as private-sector capital investment remained strong and positive signs for consumer spending began to emerge, despite ongoing concern over soaring prices for crude oil and raw materials. Overseas, economic trends were generally favorable as indicated by continuing economic expansion in the United States and strong growth in China and other Asian economies.

Amid this economic environment, the USHIO Group achieved steady growth in projection exposure systems, UV exposure systems and other products, while replacement demand for lithography lamps for liquid crystal and semiconductor manufacturing devices remained solid for the Electronics Business, one of our core businesses. Demand for excimer lasers also grew in response to the trend toward high integration of semiconductors, expanding sales significantly.

Unit sales of lamps for data projectors showed strong growth in the Visual Image Equipment Business. Digital cinema projectors, in particular, contributed significantly to operating results as the USHIO Group's program to promote the spread of digital cinema systems, especially in North America, realized inroads into the market, resulting in the shipment of around 2,400 units versus the initial forecast of 1,400 units.

The drop in prices for LCD panels and data projector lamps, however, seriously impacted earnings, and the entire Group has been working to improve productivity, reduce costs and reinforce overseas expansion. We are also actively investing in the development of new technologies and new products.

Consequently, with regard to consolidated operating results for fiscal 2007, net sales grew 17.2% over the previous fiscal year to ¥151,495 million, operating income increased 6.6%

to ¥19,727 million, ordinary income rose 8.4% to ¥25,145 million, and net income was up 11.1% to ¥16,553 million. This represented record highs for net sales, ordinary income and net income.

Cash dividends were increased by ¥4.00 to ¥24.00 per share in view of these favorable results. While the payout ratio on a consolidated basis was 20%, the Group is cognizant of continuing to realize a return on profits to our shareholders as one of the most important issues.

Formulating a New Medium-Term Vision for 2010

USHIO devised a three-year Medium-Term Vision in 2004 based on the core principles of "providing high-quality products and services" and "expanding the scope of lighting applications." Accordingly, we focused our efforts on enhancing existing products and developing new businesses and products for our core Visual Image Equipment and semiconductor photolithography businesses.

Each year we reassess the strategy and key policies of the Medium-Term Vision to address changes in the business environment and formulate new, three-year objectives. For the fiscal year ending March 2010, the final year of the new Medium-Term Vision announced in April 2007, we are aiming for net sales of ¥190.0 billion, operating income of ¥28.5 billion and ROE of 10% or more. While we have achieved ROE of 10.3% for fiscal 2007, our policy will be to maintain it at this level as we increase net worth.

We are focusing on the following six themes indicated at the right as key elements of our core business strategy for the new Medium-Term Vision.

1. Promote the spread of and increase profits for the digital cinema business

We have gained momentum in the United States, the original place of movie theaters, but will work to increase profits in the future while also developing the Japanese, European and Asian markets, thereby contributing to the expansion of information and the arts through visual images.

2. Expand the solutions business

We will improve services with integrated optical technology that only USHIO can provide by such means as creating value through collaboration with clients and utilizing the joint experimental facilities at the Harima Plant.

3. Increase our share of data projector lamps

We have improved our competitiveness over the past few years through an overall optimization scheme that includes strengthening our development and production structure and shifting production overseas, and are about to reap the benefits of these actions. We will strive to further increase market share by responding promptly to market needs including demand for high-intensity discharge lamps.

4. Enhance our product lineup underpinning liquid crystal and semiconductor manufacturing

In line with expanded demand for larger LCD panels and semiconductor memory, the need for light sources for manufacturing these products has become more sophisticated and diverse. Accordingly, we are promoting the development of new products to address these needs.

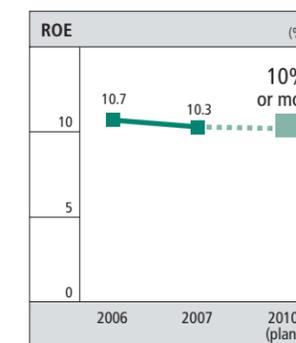
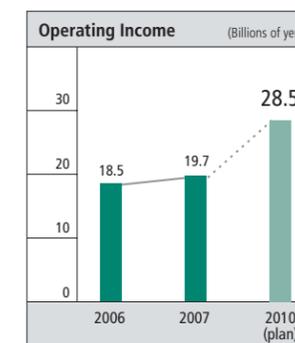
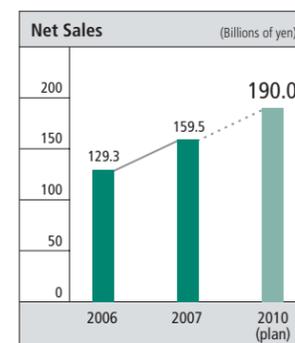
5. Redouble efforts to develop leading-edge technology using extreme ultraviolet (EUV) for the semiconductor photolithography business

The USHIO Group is pursuing research in Japan and Europe to commercialize an EUV light source as the key technology for the next generation of semiconductors. We are making steady progress on development with our sights set on the long-term perspective.

6. Achieve rapid commercialization of new products and new business sectors

We have been focusing on "quality of life" fields such as the lifestyle, medical treatment and environmental sectors, and have commercialized an infrared device for medical treatment in 2006. Our aim is to commercialize diagnostic devices and testing and analysis equipment.

Numerical Objectives of USHIO's Medium-Term Vision



Entire Group Restructuring to Achieve Overall Optimization

Looking at the business environment, we envision gradual expansion of the economy on the whole despite persisting uncertainties such as the impact of exchange rates and rising long-term interest rates on corporate management as well as soaring crude oil and raw material prices.

The USHIO Group is striving to expand market share and raise profitability through Group optimization of development, production and sales functions. Various measures include a focus on product quality, continued transition to overseas production and dedicated efforts to reduce production costs, particularly in our visual image equipment and semiconductor photolithography businesses, which form our business pillars over the medium to long term. We will also strive to further develop and improve the efficiency of the sales structure, including sales branches, and promote R&D in the high-tech sector by making maximum use of the Group's strengths in light sources and optical technology.

At the same time, we will work to further reinforce the business foundation for the entire Group to ensure transparent and efficient management, as well as be proactive in fulfilling social responsibilities such as reducing the burden on the environment. In meeting the expectations of our shareholders, investors and stakeholders, we will continue to strive to enhance corporate value and achieve sustained growth.

For fiscal 2008, ending March 31, 2008, we are forecasting consolidated net sales of ¥155.0 billion, an increase of 2.3% year-on-year; operating income of ¥21.0 billion, an increase of 6.4%; ordinary income of ¥25.5 billion, an increase of 1.4%; and net income of ¥16.9 billion, an increase of 2.1%.

We ask our shareholders for their continued understanding and support.



Enhancing the Lineup of NSH Lamps for Data Projectors

— Success in Development and Mass Production of AC Lamps —

Up until the 1980s, lamps for data projectors were metal halide lamps. In the 1990s, however, high-intensity, highly efficient, high-precision discharge lamps, or NSH lamps, became the mainstream. USHIO has secured a share of more than 20% for data projector lamps in the global market for data projectors, which is forecast to reach 5.2 million units in 2007.

Up to now, USHIO has commercialized DC lamps (direct current lighting method) for data projectors. DC lamps have few power components and therefore possess advantages enabling miniaturization of the power supply, low cost and flickerless operation. User demand for AC lamps (alternating current lighting method) has increased, however, since these have the advantages of long life and making screens 5-10% brighter than when using DC lamps.

USHIO has developed a new power supply for AC lamps and has succeeded in the development and mass production of AC lamps for which new orders are being received from data projector manufacturers. We aim to further increase our market share by offering AC lamps for models that require greater performance and DC lamps for models that require cost performance, thereby meeting a wide range of needs.



High-intensity discharge lamps

Lamps and Devices Offering the Latest in Optical Medical Treatment

Commercialization of the Therabeam VR630 Photodynamic Therapy Device

Medical optical devices using lamps are used to treat and alleviate conditions such as dermatological problems, allergies, ulcers and inflammation, bone fractures, depression and other disorders. These easy-to-use devices can radiate over a broad area and involve little pain or side effects. There has been recent progress in applying this to the diagnosis and treatment (photodynamic diagnosis and treatment) of skin cancers and other disorders.

Accordingly, USHIO developed a special metal halide lamp with wavelength peakings at 630nm and 670nm, the infrared range deemed to have significant medical benefits. We simultaneously commercialized a photodynamic therapy device called the Therabeam VR630 using this lamp and began sales of the product in autumn 2006 after receiving approval under the Pharmaceutical Law of Japan. USHIO is continuing to pursue development of photodynamic devices for diagnosis and treatment based on the Therabeam VR630, and we are currently engaged in research with the goal of obtaining approval under the Pharmaceutical Law of Japan.

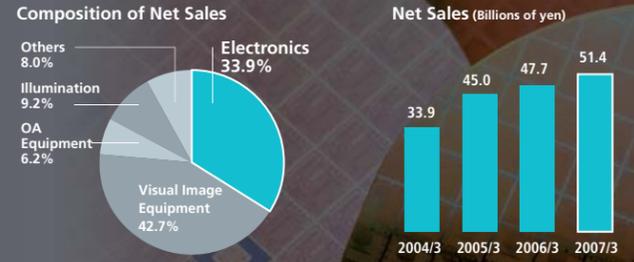


Therabeam VR630 light beam (red area)

Therabeam VR630 photodynamic therapy device

Electronics

USHIO provides a wide array of light sources and optical devices indispensable to the development and production of electronic products such as semiconductors, liquid crystal displays (LCDs) and electronic components. USHIO's optical technology is a key component in the development of next-generation products in addition to closely collaborating with device manufacturers and production equipment manufacturers in the course of development.



Solid Increases in Operating Results Underpinned by a Strong Market

The semiconductor manufacturing process requires high-density mounting and high-precision technology to enable miniaturization, lighter weight, greater functionality and higher performance for IT equipment and electronic products. The USHIO Group develops and provides such products as UV lamps for semiconductor photolithography, excimer lasers and other light sources, various types of photolithography systems and UV photoresist hardening systems, which are used for processes such as wafer and mask production and wafer processing.

In the liquid crystal manufacturing equipment-related field, besides all types of light sources, we also develop and offer ODF UV curing equipment for bonding LCD panels, Excimer VUV/O₃ surface cleaning equipment for LCD substrates and TAB exposure systems that connect LCD panels with integrated circuit drivers.

Replacement demand for the various types of lamps used in these liquid crystal and semiconductor manufacturing processes was strong in fiscal 2007. Demand for ODF UV curing equipment for bonding LCD panels and TAB exposure systems was also solid due to production increases by LCD manufacturers.

As a result, net sales in the Electronics Business totaled ¥51.4 billion, an increase of 8% over the previous fiscal year.

Securing an Overwhelming Share of the Global Market and Contributing to the Development of Next-Generation Products

The USHIO Group boasts a global market share exceeding 80% in both semiconductor photolithography light sources and LCD panel exposure system light sources, as well as a 100% share of the global market for TAB exposure systems.

Global market share for excimer lasers for semiconductor photolithography developed and marketed by Gigaphoton, Inc., a 50/50 joint venture between USHIO and Komatsu Ltd., exceeded 30% for fiscal 2007 due to efforts to further miniaturize the semiconductor manufacturing process, resulting in both strong sales and earnings.

USHIO is also working to integrate the fruits of R&D in Japan and Europe to develop a next-generation extreme ultraviolet (EUV) light source, which is expected to succeed lamps and lasers, and commenced sales of a prototype machine for mass production in 2007.

Lamps and Light Sources



Lamps for semiconductor and LCD photolithography



GT40A excimer laser

Manufacturing Equipment



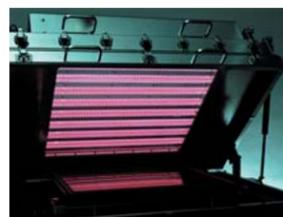
TAB exposure system



UV curing equipment for bonding LCD panels



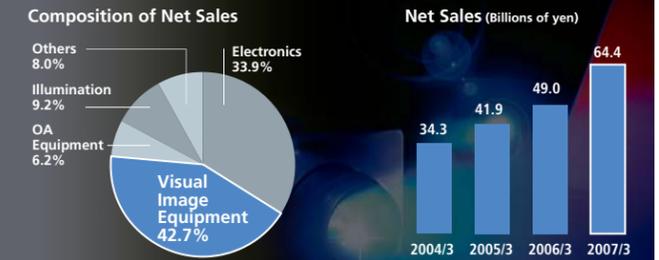
Mask/pellide defect detection system



Excimer VUV/O₃ surface cleaning equipment

Visual Image Equipment

USHIO considers the Visual Image Equipment Business to be one of our most strategically important fields and is actively developing this business. Based on our core optical and digital technologies, we are focusing efforts on developing and offering projection systems that encompass data projectors, large venue imaging systems and digital cinema projectors (DCPs), as well as their light sources, while also cultivating a new market through the spread of digital cinema in North America.



Expansion of Our Business Model and Strong Demand for DCPs

In the cinema field, our business model to promote the spread of DCPs in North America is well underway. Leading the industry in the move away from film to digital cinema, we shipped 2,400 units in fiscal 2007, a major increase from 580 units in the previous fiscal year.

In the non-cinema field, demand for data projectors indicative of broad penetration from offices to households has risen approximately 20% over the previous fiscal year. Large venue imaging systems exhibited strong growth in addition to expanded shipments of USHIO's high-intensity discharge lamps for data projectors.

As a result, net sales in the Visual Image Equipment Business rapidly increased to ¥64.4 billion, up 31% over the previous fiscal year.

Vigorous Development to Further Expand the Market

USHIO's share of the global market for DCPs has risen to 80% as our business model to promote the spread of DCP systems in North America has hit its stride. We have also secured a 55% share of the global market for xenon lamps used in cinema projectors. We intend to work on expanding the use of DCPs in regions other than North America while we continue to focus on further penetration and expansion and concentrate our efforts on developing new products for DCPs.

In the non-cinema field, we have attained global market share of more than 20% for high-intensity discharge lamps for data projectors and will continue to expand our share through further improvements in productivity, the development of new products and other measures.

We are also actively pursuing expansion of large venue imaging systems for concert and event halls, venue imaging systems for control rooms, simulation systems and 3D virtual reality systems, primarily for the U.S. and other overseas markets.

Cinema

CP2000 digital cinema projector



15kW xenon short-arc lamp for large venue imaging equipment

Non-cinema

Large venue imaging system



Immersive virtual reality system



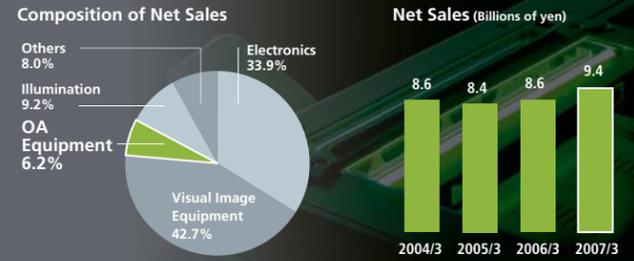
High-intensity discharge lamp for data projectors



Simulation system for air traffic control training

Office Automation (OA) Equipment

USHIO offers light sources for a diverse array of OA equipment from printers to copiers, laser printers and facsimile machines. While working to develop new products that address market needs for high energy efficiency and the move to color, we are working to reinforce a manufacturing structure optimally located near markets in China and the Philippines to meet the overseas production needs of Japanese OA equipment manufacturers.



Strong Growth in High Value-Added Products over the Previous Fiscal Year

Lamps for OA equipment are in stable demand for use in printers and copiers. USHIO is the market leader for both lamps for document scanning and lamps for fixing toner, capturing a 65% global market share.

In the fiscal year under review, steady growth for high-performance lamps was realized corresponding to further progress in the move toward color and multi-functionality for printers and copiers. In addition, USHIO released highly acclaimed new products that meet user needs, such as energy efficiency and space savings, including lamps with short warm-up periods for shortening the standby time for copiers as well as lamps enabling the miniaturization of equipment.

As a result, net sales in the OA Equipment Business rose 9% over the previous fiscal year to ¥9.4 billion.

Further Augmentation of Production in China

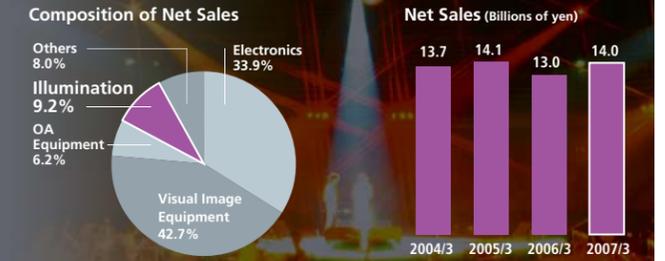
USHIO has been strengthening the integrated production of lamps for OA equipment overseas over the past few years in response to the shift to overseas production by OA equipment manufacturers. Efforts to reduce costs through raising productivity have been actively promoted, with particular emphasis on bolstering integrated production at the Suzhou Plant, which commenced full-scale production from 2005.

USHIO will also concentrate on overseas production at three manufacturing bases during fiscal 2008, namely, USHIO Philippines, Inc.; a contract fabrication plant in Pan Yu, Guangdong, China; and USHIO (Suzhou) Co., Ltd. in Suzhou, China. We will aim to establish an even more efficient manufacturing structure based on overall optimization of production and marketing.

Future market expansion for OA equipment is expected for China, as well as Brazil, India, Russia and Eastern Europe. Accordingly, USHIO is working proactively to supply lamps for OA equipment to respond quickly to the strategic business initiatives of OA equipment manufacturers.

Illumination

The USHIO Group has an outstanding track record in providing a wide range of lighting products, including illumination systems used for concerts and events and to lend color to streets, retail and other commercial facilities. Through light, we contribute to the creation of original spaces. We also fulfill a wide range of needs in many different industries with such products as halogen lamps for automobiles and aviation illumination.



Making Inroads into New Markets with High Value-Added Products

USHIO provides comprehensive support ranging from the design and development of light sources, illumination systems and imaging and sound systems to other fixtures and fittings.

During fiscal 2007, we focused on the development of high value-added products superior in both functionality and design, while also developing new, energy-efficient lamps in response to heightening concern over the environment.

As a result, net sales in the Illumination Business rebounded from the previous fiscal year to ¥14.0 billion, an increase of 8%.

Energy Efficiency and Creation of Appealing Spaces

The need for energy-efficient lamps for illumination has increased in recent years. An example of this is the demand for energy-efficient lamps from department stores and shopping malls to reduce the environmental load posed by the frequent use of halogen lamps to display products in the best light.

In response to this need, USHIO Lighting Inc. developed an energy-efficient halogen lamp that can be used in existing facilities without sacrificing brightness. This lamp not only consumes minimal energy but also reduces the burden on the air conditioning system as less heat is released from the light, thereby contributing to the reduction of CO₂ emissions.

At the same time, there is increasingly strong demand from lighting designers and architectural designers for lighting equipment superior in design and functionality in line with the large-scale redevelopment in major cities in Japan as well as a rise in construction of highly fashionable office buildings, shopping malls and high-rise condominiums. The USHIO Group is offering new, high value-added products in response to these demands to contribute to the creation of appealing spaces.

Lamps



Rare gas fluorescent lamp exposure unit for copiers and lamp unit



Toner fixing halogen lamp

Manufacturing Bases



USHIO (Suzhou) Co., Ltd. in Suzhou, China



Contract fabrication plant in Pan Yu, Guangzhou, China



USHIO Philippines, Inc.

Various Types of Lamps for Illumination



World's first mass-produced "U-ONE" ceramic metal halide lamp with integrated ballast



Superline IR

"MRX-JR" reduced glare halogen lamp

Space Illumination and Staging Systems



Pin spots, a standard type of stage lighting

"DL-2" digital lighting system

Illumination for large facilities

Light Source Technology Contributing to the Nano-Order

USHIO's Optical Technology for the Semiconductor Lithography Process

Having the numerous characteristics of being clean and highly energy efficient, easy to control, easy to heat and cool quickly, and simple in structure, light is optimal for and widely used in various manufacturing processes for semiconductors and LCD panels such as thin film formation, mask production, exposure and photo-cleaning, which are necessary for precise processing in a clean environment.

Since the inception of integrated circuit (IC) production in the 1960s, USHIO has contributed to the advancement of semiconductors through the development and provision of light sources for the photolithography process, one of the most important processes in the manufacture of semiconductors. At present, in addition to capturing an 80% share of the global market for lamps and a 35% share for lasers, USHIO is a world leader in the development of next-generation light sources.

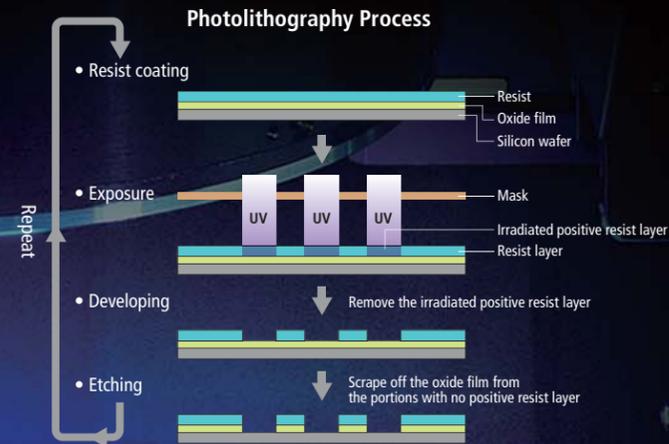
Principles of Photography Behind Lithography for Imprinting Pattern

Lithography is the process by which the minute circuits are etched on silicon wafers that form the substrate. The general principle underlying this process is similar to that of the development and printing of photographs. After first coating the surface of the silicon wafer with photoresist (photosensitizing agent), a pattern is etched in the photoresist through a mask imprinted with the circuit pattern by irradiating it with light.

The oxide film or nitride membrane of the substrate is then etched according to the imprinted pattern and the circuits are created by introducing the requisite impurities and forming the nitride membranes or metal membranes. Semiconductors today are produced from three-dimensional circuits. Complex semiconductor circuits are therefore formed through an integrated, repetitive process of changing the masks multiple times, a procedure similar to multi-color block printing.

The exposure device (stepper) that etches the pattern in the mask utilizes precision optical technology. The device is also referred to as a shrink projection exposure device since a large diameter lens is used to shrink the mask pattern to one-fifth of the size and project it. The shorter the wavelength of the light source, the higher the resolution of the imprinting, which is why UV lamps and excimer lasers are currently used.

the Nano-Order



Light Sources Used in Lithography

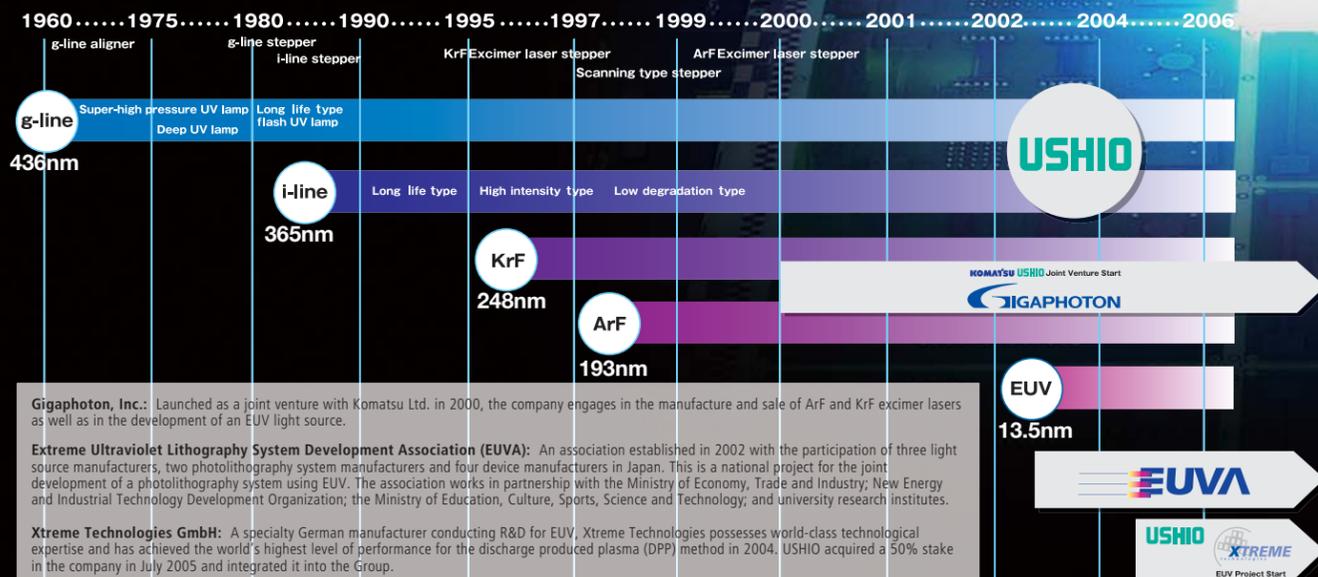
The capacity of ICs has quadrupled every three years since first being introduced in the 1960s, progressing to large-scale integrated circuits (LSIs) and very large integrated circuits (VLSIs) along the way.

Microfabrication technology underpinned those advances, in which the revolution in stepper technology has played a particularly large role.

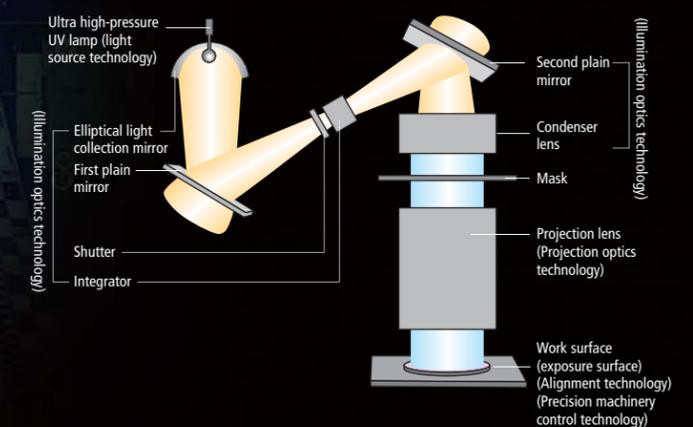
A yardstick for microfabrication of semiconductors is the line width of the circuits (smallest design measurement). Crossing the threshold of the micrometer (one-millionth of a meter) was the major issue up to the 1980s. The key was an improvement in resolution by linking the stepper light source to a large diameter lens. This enabled the achievement of a sub-micron line width, which is even smaller than 1µm, and led to mass production of LSIs that possessed several hundred thousand elements. However, even further improvement in resolution was required for VLSIs, which possessed one million elements. Subsequently, it was necessary to develop a new light source since there was a physical limit to improvements in lens performance.

In general, the degree of resolution increases the shorter the wavelength of the light source. g-line lamps with a peak wavelength of 436nm (nanometer: one-billionth of a meter) were used until the 1980s. From the 1990s onward, i-line lamps with even shorter wavelengths of 365nm have been used in processing from the sub-micron to the nano-order level. This enabled mass production of VLSIs with a wavelength of 0.3µm (300nm).

Progress in the Development of Lamps for Lithography



Optical System Diagram of 1:1 Projection Exposure System



In order to create the optimum "light" for lithography, USHIO develops and offers not only light sources but also proprietary peripheral technologies for "illumination optics" for mirrors, "projection optics" for lenses, "alignment" for positioning and "precision machine control" for transport.

USHIO has been developing and offering light sources for steppers since the 1960s. The characteristics demanded of a light source are the ability to produce sufficient brightness, intensity sustainable over a long period of time and strong emission of specific wavelengths (peak points). Compatibility with mask materials also affects the degree of resolution.

USHIO has striven to establish a joint development structure through close cooperation with stepper manufacturers, as well as engage in a wide variety of technological exchanges with device manufacturers—the ultimate users—ranging from development to prototypes through mass production, in order to develop and offer the ultimate g-line lamps and i-line lamps based on actual site processes.

One example would be USHIO's development of an i-line lamp that contributed to improved processing speed (throughput) as well as enhanced line operating efficiency by increasing longevity.

The Era of the Excimer Laser

Semiconductors continue to evolve, achieving a line width of 100nm. A breakthrough in light sources made this possible.

The new light source was the excimer laser (vacuum UV light source), with an even shorter wavelength than the i-line. The KrF excimer laser (Krypton fluoride) with a wavelength of 248nm was commercialized in the 2000s. An ArF excimer laser (Argon fluoride) with a wavelength of 193nm was introduced into mass production at the same time.

USHIO had been engaged in R&D on excimer lasers for steppers from early on. To promote the development and commercialization in step with user needs, we merged our excimer laser business for semiconductor photolithography with Komatsu Ltd. in August 2000 in a 50/50 joint venture and established Gigaphoton, Inc., Japan's only manufacturer of lithography lasers.

Fusing the technology and marketing of the two companies, Gigaphoton proceeded to commercialize the KrF excimer laser and the ArF excimer laser, commencing sales in 2003. Gigaphoton has been especially focusing on product quality through such means as establishing a service division in 2002. Such efforts to ensure quality have been well received, wherein the company attained a 35% share of the global market in fiscal 2007. We are expanding production capacity further with the goal of attaining the top share in this sector.



GT40A excimer laser

Leading the World in EUV, the Next-Generation Photolithography Light Source

The development of half-pitch, 45nm technology is currently the focus of attention in the world of semiconductors. The shortest path to achieving this is the EUV light source, which uses plasma formed by electrical discharge or lasers. Japan, the United States and Europe are competing to develop EUV with a wavelength of 13.5nm as the next-generation light source for photolithography that will succeed the excimer laser.

As the leading maker of light sources for semiconductor photolithography systems, the USHIO Group, together with Gigaphoton, has participated from the outset in the Extreme Ultraviolet Lithography System Development Association (EUVA) Project, a national project in Japan to jointly develop a photolithography system using EUV. Accordingly, we are successfully achieving steady progress in research toward creating a new light source. In addition, Germany-based Xtreme Technologies GmbH, the leader in commercialization of the product, joined the USHIO Group in 2005.



EUV light source

Integrating the technologies of the top Japanese and European manufacturers has facilitated more efficient and speedier research. The fruits of this research yielded a new prototype for mass production of semiconductors that went to market in 2007.

Intel Capital, the venture capital division of the world's largest semiconductor manufacturer, Intel Corporation, provides EUV development funds to Xtreme Technologies. This illustrates the high regard accorded to the USHIO Group's EUV development capabilities as well as its future potential.

The USHIO Group aims to secure more than half of the EUV market share, exerting every effort to develop a commercial version.

The Latest in Photolithography Light Source Technology Spreads Throughout the World

Products containing semiconductors now encompass a wide variety of areas, bringing about more compact, lighter, low-priced electronic equipment with higher performance, a representative example of which is the mobile phone.

The functions required of semiconductors have also become increasingly diverse in line with the spread of their application to various sectors. For example, there are several dozens of microcomputers

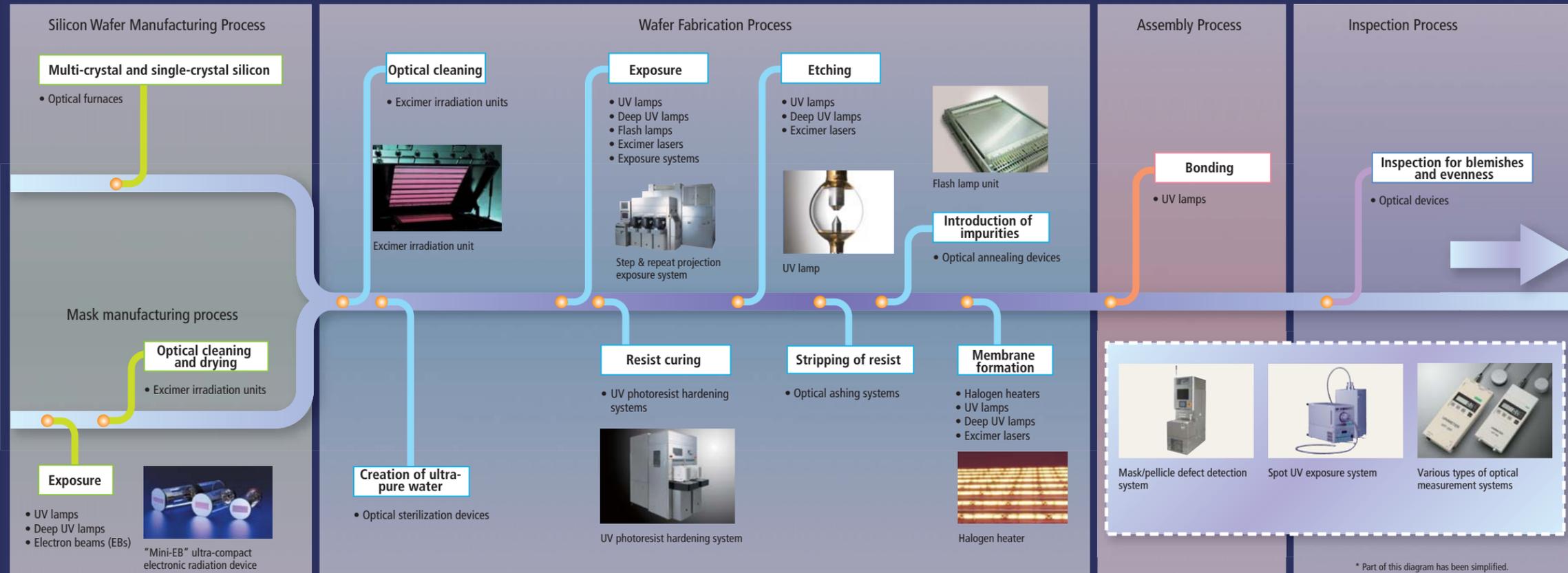
installed in automobiles, controlling the engine, fuel and suspension as well as information services such as car navigation. The development of specialty semiconductors that are not only capable of withstanding heat and vibration but also suited to various purposes is underway.

Device manufacturers addressing these needs have developed their own proprietary processes. Exposure equipment (steppers), for example, requires many different things depending on the manufacturer.

USHIO has secured a deep sense of trust by responding in detail to such needs of device manufacturers. We have also built close relationships with manufacturers and have contributed to the commercialization of products such as high-efficiency light furnaces that utilize optical technology to warm wafers, various types of exposure equipment, optical curing systems, optical cleaning systems and optical inspection systems. We have also capitalized on our track record in the semiconductor sector to provide various types of light sources and devices for the LCD panel manufacturing process.

As the only company in the world capable of providing a variety of light sources for photolithography, the USHIO Group will continue to engage in leading-edge research on light sources for lithography while providing optimal light sources that lead to improvements in productivity, reduction of costs and increased reliability.

USHIO's Light and the Semiconductor Manufacturing Process



Social and Environmental Initiatives: USHIO's CSR Activities

There are many different aspects of corporate social responsibility (CSR), including the environment, employment, consumers, human rights, corporate governance, compliance, risk management, information disclosure, corporate ethics and contributing to local communities.

We are working to bolster our CSR activities, which are an indispensable part of USHIO's sustainable vision. This is because we believe that having each and every employee earnestly engaged in CSR activities as an inseparable part of our existing business can in turn contribute to the sustainable development of society and our business.

USHIO's Views on CSR

- We conduct our business in a responsible social manner through compliance with laws, ordinances and other general regulations as well as public order and social customs.
- We contribute to the realization of a sustainable society through efforts to protect the environment.
- We promote dialogue with customers, shareholders and other stakeholders and strive to earn the trust of society.
- We strive to earn the trust of society by ensuring proper information disclosure and highly transparent management.
- As a member of the local community, we strive to live in harmony with as well as contribute to local communities.
- We will respect the character and individuality of each employee, strive to create a workplace environment in which employees can work with ease and reassurance, and promote a balance between the prosperity of the company and a fulfilling life for each and every employee.

Main CSR Themes

Social Contributions

- Local community activities
- Active participation in external social and environmental organizations
- Introduction of leave system for undertaking social contribution activities, etc.

Dialogue with Stakeholders (Communication)

- Active response to third-party evaluations
- Mutual dialogue with individual stakeholders, etc.

Group Governance

- Maintaining regular Group communication
- Establishment of a structure that reflects various systems, guidelines and manuals
- Improvement of Group environmental governance, etc.

Consideration Toward Employees

- Personnel systems such as a re-employment system
- Educational training system
- Security measures
- Protection of intellectual property rights of employees
- Confirmation of safety in the event of disasters, etc.

Environmental Protection

- Various efforts to preserve the environment
- Supply chain activities, etc.

Risk Management

- Risk management and crisis management
- Sustainable business operations
- Initiatives for environmental risk management, etc.

Compliance with Laws and Ordinances

- Introduction of the USHIO help line system
- Management of export security
- Measures to ensure the protection of personal information
- Compliance training, etc.

Product Liability (PL), Product Quality and Customer Satisfaction

- Creation of an internal corporate structure for consumable products under the Product Safety Law (PL Committee)
- Creation of an integrated structure encompassing development, production, shipment and support, etc.

Information disclosure

- Publication of various reports on a regular basis
- Disclosure of the status of asbestos use
- Public disclosure of product life cycle assessment (LCA), etc.

Compliance

Reduction of Environmental Load Through Material Flow Cost Accounting

At USHIO, we have introduced material flow cost accounting (MFCA) to reduce the environmental load, improve manufacturing processes and lower costs.

MFCA divides "products" into two categories: "regular products" that are generally good and "deleterious products" that are flawed or constitute waste. Losses can be visualized by calculating costs (materials expenses, personnel expenses, electricity expenses, etc.) based on the weightings of these categories.

Lowering these costs leads to reduction of the environmental load and improvements in manufacturing processes. We are working to improve productivity from the perspective of the environment and targeting the simultaneous reduction of the environmental load and costs by introducing manufacturing processes that are in harmony with the environment and creating products and services that are competitive in the marketplace.

"USHIO ECO-SYS" Introduced as an Environmental Management System to Enable Sustainable Management

There is a tendency to be passive in carrying out environmental activities since these involve costs and at times pose a heavy burden on companies, whose purpose is to earn a profit. However, the environment has become a social issue of global proportions that requires global initiatives for environmental protection and conservation activities. Companies must be aware of these issues to undertake management in a way that will earn widespread trust from society by fulfilling our role as a member of society together with governmental agencies and non-profit organizations.

The concept of pursuing profits while employing a management strategy that provides economic and social advantages from engaging in environmental activities has emerged. At USHIO, we have introduced "USHIO ECO-SYS," an environmental management system aimed at attaining both environmental and management objectives by accumulating and evaluating the economic benefits derived from environmental activities in order to "integrate environmental initiatives with economic activity" and thereby build a sustainable society.

What is "USHIO ECO-SYS"?

USHIO ECO-SYS is a system for automatically collecting and analyzing data on environmental performance (such as CO₂ emission volume) that must be reported and publicly disclosed from legal and CSR standpoints. In addition to ensuring feedback on environmental conservation activities, the system utilizes a function for collecting environmental accounting data to analyze environmental efficiency (environmental productivity) and segment indices. This allows us to measure how much environmental activities have proved beneficial in contributing to corporate management, planning future environmental activities and managing targeted objectives in a timely fashion. USHIO has introduced the system to all Group companies in Japan and overseas. Our aim is to determine the points for improvement and raise efficiency from the dual perspectives of environmental and management objectives by achieving a Plan-Do-Check-Act (PDCA) cycle for the entire USHIO Group.



On-screen display of USHIO ECO-SYS, which enables easy input, collection and analysis of data

"Kurumin" Mark Acquired for Being an Approved Industry Participant in Supporting the Development of the Next Generation

USHIO INC. has been awarded the business mark of approval for 2007 by the head of the Tokyo Labor Bureau for being a business certified for supporting the development of the next generation (dubbed "Kurumin"). We have long striven to establish a workplace environment that takes the work-life balance into consideration, but have made further progress, given the enactment of the Law for Measures to Support the Development of the Next Generation in 2005:

- Support both work and home life and develop the next generation.
- Promote the protection of motherhood.
- Establish and enhance a system and environment in which employees can work with reassurance.

As a result, we were awarded the mark of approval in recognition of our efforts to enhance our childcare leave system and other aspects of our childcare

system, familiarize all employees with various systems through training and enable nearly all female employees giving birth return to work after taking childcare leave.

The USHIO Group corporate principles advocate "promoting a balance between the prosperity of the company and a fulfilling life for each and every employee." We view balancing both work and childcare as one aspect of fulfillment in life and have worked to establish and enhance the various systems. Nearly all female employees giving birth today return to work after taking childcare leave, putting into practice the dual roles of work and childcare. USHIO will continue to work to improve the work-life balance to become a company in which employees can work with ease and reassurance.



Environmental Initiatives at the ASEAN-Japan Business Meeting

Acting as the representative for Japan at the 32nd ASEAN-Japan Business Meeting held in November 2006, President Sugata delivered a speech entitled, "Recommendations for Management in the 21st Century Environment: The Roles of Japan and ASEAN," which won consensus and support from the various participating countries.

The speech raised the issue of the environment as a common issue shared by corporate management throughout the world and addressed how corporate managers should grapple with environmental issues within the framework of economic cooperation between ASEAN and Japan. All corporate managers were also called upon to implement environmental measures in the course of management.



The USHIO Group has published the 2007 Sustainability Report, which provides details about our CSR initiatives. Please contact us via our website or at the contact point listed below for a copy.

Website:
<http://www.ushio.co.jp/>
 Environmental Management Control Department:
 Tel: 03-3242-1892
 Fax: 03-3245-0589



Five-Year Summary of Consolidated Financial Data

USHIO INC. and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen				
	2007	2006	2005	2004	2003
FOR THE YEAR:					
Net sales	¥ 151,495	¥ 129,284	¥ 119,159	¥ 99,081	¥ 91,937
Net income	16,553	14,895	13,634	9,346	4,651
Capital expenditures	6,748	6,810	12,837	5,376	2,693
Depreciation and amortization	5,179	4,763	3,014	2,748	2,889
R&D expenses	4,884	4,645	4,174	3,358	3,355
AT YEAR-END:					
Total assets	237,520	213,027	187,251	169,771	149,390
Net assets	170,738	150,533	129,302	117,726	105,582
CASH FLOWS:					
Net cash provided by operating activities	20,071	9,397	12,408	7,969	13,394
Net cash used in investing activities	(7,227)	(9,762)	(6,473)	(9,490)	(6,523)
Net cash used in financing activities	(10,625)	(3,324)	(1,758)	(1,592)	(4,117)
PER SHARE OF COMMON STOCK (YEN):					
Net income	¥ 120.16	¥ 107.81	¥ 98.89	¥ 67.36	¥ 33.14
Cash dividends	24.00	20.00	20.00	20.00	13.00
Net assets	1,233.65	1,089.67	935.80	853.40	764.94
KEY FINANCIAL RATIOS:					
Return on equity (%)	10.3	10.7	11.0	8.4	4.4
Return on assets (%)	7.3	7.4	7.6	5.9	3.1
Asset turnover (times)	0.67	0.65	0.67	0.62	0.61
Return on sales (%)	10.9	11.5	11.4	9.4	5.1

Note: Return on equity = Net income / Average net assets X 100
 Return on assets = Net income / Average total assets X 100
 Asset turnover = Net sales / Average total assets
 Return on sales = Net income / Net sales X 100

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Financial Review

USHIO INC. and Consolidated Subsidiaries

The USHIO Group is composed of the parent company (USHIO INC.), 37 subsidiaries and four affiliates. The Group's core operations are the manufacture and sale of products that apply the special properties of light. The Group is also engaged in R&D related to its business operations and the development of other services and business activities.

OPERATING ENVIRONMENT AND MEASURES FOR THE TERM

During fiscal 2007, ended March 31, 2007, despite prolonged high prices of crude oil and raw materials, the Japanese economy continued its moderate expansion supported by active private-sector capital investment and a rebound in consumer spending. Overseas, the U.S. economy maintained steady expansion on the back of solid capital investment and brisk consumer spending despite a decline in housing investment. The Asian economy overall continued to exhibit a high growth rate.

Amid such economic conditions, despite an ongoing decline in prices of LCD panels, demand for replacement lamps increased in line with an expansion in production capacity by LCD panel manufacturers. At the same time, photolithography systems used for the development and production of electronic components grew in step with market expansion.

Unit sales of high-intensity discharge lamps for data projectors were strong despite falling sales prices. In the digital cinema projector (DCP) business, our business model to spread digital cinema has firmly taken off, dramatically increasing the shipment of DCPs.

The USHIO Group is making proactive, future-oriented investments in the development of new technologies and products. At the same time, we will continue to improve business performance through Group-wide efforts to improve productivity, reduce manufacturing costs and augment the sales structure to support overseas expansion. Through such endeavors, USHIO posted net sales of ¥151,495 million, up 17.2% over fiscal 2006; operating income of ¥19,727 million, up 6.6%; ordinary income of ¥25,145 million, up 8.4%; and net income of ¥16,553 million, up 11.1%.

RESULTS BY BUSINESS SEGMENT**Light Source Application Products**

Total sales for light source application products increased 16.8% to ¥146,431 million, and operating income increased 5.8% to ¥19,268 million.

Sales of the tube-style lamp product group were solid overall. Replacement demand remained strong for UV lamps for liquid crystal and semiconductor photolithography systems while a mild recovery in demand was recorded for high-intensity discharge lamps for data projectors.

In the optical systems product group, sales increased significantly for large projection systems such as DCPs, and sales for ODF UV curing equipment for bonding LCD panels and TAB exposure systems remained strong accompanying an increase in production of LCD panels.

Machinery for Industrial Uses and Other Business

Total sales increased 25.8% to ¥5,137 million. Operating income amounted to ¥453 million, up 56.8%. Demand increased dramatically for high-precision molding inspection systems.

RESULTS BY GEOGRAPHIC SEGMENT**Japan**

Total sales increased 4.8% to ¥82,022 million. Robust demand in the LCD panel industry especially in the first half of fiscal 2007 led

to an expansion in sales of related optical devices and replacement UV lamps for liquid crystal exposure systems. In addition, replacement demand for UV lamps for semiconductor photolithography systems was strong.

North America

Total sales jumped 40.9% to ¥55,511 million. Particularly in the Visual Image Equipment Business, sales increased for large projection systems such as DCPs as a result of strengthening the solution business for maintenance and operation, which includes networking, maintenance and related services in addition to such hardware as projectors, light sources and other fixtures and fittings.

Europe

Strong demand for various lamps for general illumination and xenon lamps for cinema projectors resulted in a 21.4% increase in total sales to ¥7,627 million.

Asia

In addition to a mild recovery in demand for high-intensity discharge lamps for data projectors, increases in demand for UV lamps for semiconductor and liquid crystal photolithography systems as well as xenon fluorescent lamps for OA equipment and halogen lamps resulted in a 9.4% increase in total sales to ¥32,750 million.

OVERSEAS SALES

USHIO's total overseas sales increased 29.1% to ¥93,847 million. Regarding the composition of overseas sales, North America accounted for ¥44,135 million, Europe ¥13,187 million, Asia ¥35,754 million and other regions ¥769 million. Overseas sales made up 61.9% of consolidated net sales, up 5.7 percentage points from the previous fiscal year.

EARNINGS

Consolidated net sales rose 17.2% to ¥151,495 million, while operating income increased 6.6% to ¥19,727 million. Cost of sales rose 22.1% to ¥103,848 million. Selling, general and administrative expenses increased 8.4% to ¥27,919 million. The cost of sales ratio increased 2.7 percentage points to 68.5%, and the gross profit to net sales ratio was 31.5%. Income before income taxes and minority interests in earnings of affiliates increased 8.6% to ¥25,174 million. Net income edged up 11.1% to ¥16,553 million. Return on assets declined 0.1 percentage point to 7.3%.

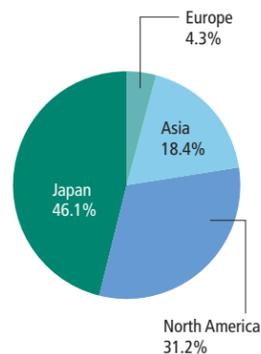
LIQUIDITY AND SOURCES OF FUNDS**Cash Flows**

In addition to a 525.2% increase in time deposits to ¥8,689 million, short-term bank loans decreased to ¥6,608 million. However, these factors were offset by an 8.6% increase in income before incomes taxes and minority interests in earnings of affiliates to ¥25,174 million and a 52.1% increase in proceeds from sale of investment securities to ¥5,474 million. As a result, cash and cash equivalents at the end of the year increased ¥2,421 million, or 10.7%, to ¥25,122 million.

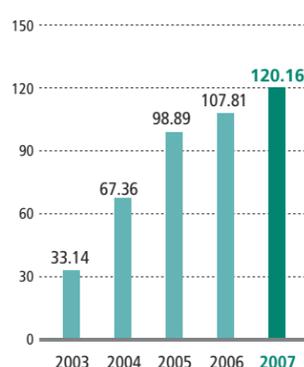
Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥10,674 million to ¥20,071 million. The primary factors for the increase were an increase in income before income taxes and minority interests in earnings of affiliates to ¥25,174 million, an increase in depreciation and amortization to ¥5,179 million and a decrease in income taxes paid to ¥7,331 million.

Proportion of Total Sales, by Geographic Segments



Net Income Per Share (Yen)



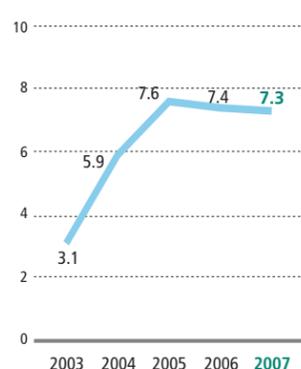
Net Assets (Billions of yen)



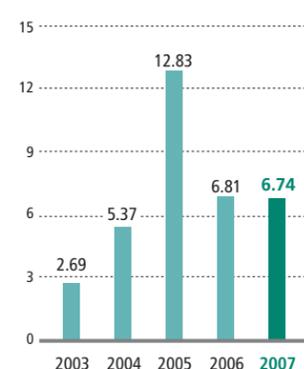
Return on Equity (%)



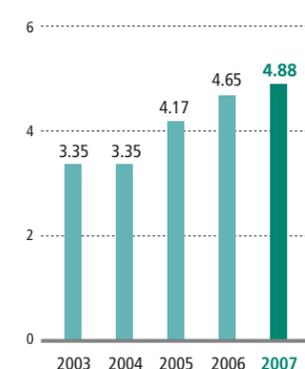
Return on Assets (%)



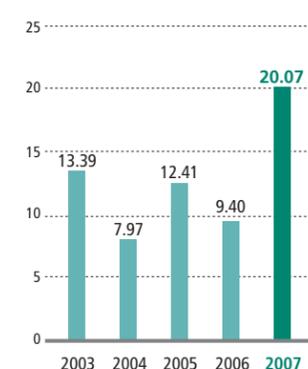
Capital Expenditures (Billions of yen)



R&D Expenses (Billions of yen)



Net Cash Provided by Operating Activities (Billions of yen)



Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥2,534 million to ¥7,227 million. This decrease was attributable mainly to proceeds from sale of investment securities in the amount of ¥5,474 million offset by an increase in time deposits amounting to ¥8,689 million and purchases of property, plant and equipment in the amount of ¥6,507 million.

Cash Flows from Financing Activities

Net cash used in financing activities rose ¥7,301 million to ¥10,625 million due primarily to a decrease in short-term bank loans totaling ¥6,608 million and distributions paid in the amount of ¥2,767 million.

FINANCIAL POSITION

Total assets rose ¥24,493 million, or 11.5%, to ¥237,520 million due primarily to increases in cash and bank deposits, accounts receivable and inventories following an increase in business volume, as well as realized gains in investment securities.

Active capital investment produced a 5.7% boost in property, plant and equipment, net to ¥36,142 million.

Total investments and other assets rose 9.5% to ¥83,157 million due chiefly to the effect of a 10.0% rise in investment securities to ¥76,133 million.

On the liabilities side, short-term bank loans decreased 63.5%

to ¥3,775 million while notes and accounts payable increased to ¥21,220 million, and total current liabilities rose 9.9% to ¥45,076 million.

A 26.2% rise in deferred tax liabilities to ¥19,496 million resulted in a 4.6% increase in total long-term liabilities to ¥21,706 million.

Retained earnings expanded 17.4% to ¥93,141 million, and total net assets amounted to ¥170,738 million. The equity ratio edged up 0.8 percentage point to 71.5%.

CAPITAL INVESTMENTS

Capital expenditures decreased slightly to ¥6,748 million. Capital investment chiefly targeted light source application products and the digital visual image equipment business geared toward the current IT era; the high-density mounting technology business, in which information and communications technology and electronics products are rapidly growing more compact, sophisticated and powerful; and the semiconductor photolithography business, where USHIO is working to develop applications for next-generation memory. Capital investment in the light source application products business decreased slightly to ¥6,716 million. Capital investment in the machinery for industrial uses and other business rose 9.93% to ¥32 million.

Funds for investments were provided by internal reserves and loans.

RESEARCH AND DEVELOPMENT

USHIO's R&D expenses rose 5.1% to ¥4,884 million. R&D programs are centered on the development and manufacturing of industrial light sources and optical technology, and extend to the fields of electronics and mechatronics, new applications for light and the development of various essential peripheral technologies. USHIO is also fostering businesses related to optical units, devices and systems.

PERSONNEL

The USHIO Group employed 4,782 people as of March 31, 2007, up 392 from the previous fiscal year. The parent company, USHIO INC., increased staff by 67 persons for a total of 1,656 employees at the end of the fiscal year.

BUSINESS RISKS

Business risks that could potentially impact the USHIO Group's operating results, stock price and financial condition are indicated below. Forward-looking statements contained therein reflect data available at the time of the release of the Group's financial results on June 28, 2007.

1. Risks in Demand for Semiconductors and Liquid Crystal Products

The USHIO Group's performance is impacted considerably by changes in demand in the semiconductor and LCD industries. Products handled for these industries include expendable components for manufacturing equipment, with stable demand provided by the various operating processes of factories. Nevertheless, the Group's performance and financial condition could be heavily impacted by medium- and long-term changes in demand in industries for semiconductor and liquid crystal manufacturing equipment.

2. Risks in Demand for Illumination and Exposure Light Sources

The USHIO Group offers installable light sources for data projectors and DCPs, as well as illumination and exposure light sources to markets outside the semiconductor and LCD industries. The Group's performance and financial condition could be heavily impacted by changes in technology, prices and demand for these light sources.

3. Risks from Developments in Semiconductor Manufacturing Photolithography Technologies

Amid ongoing miniaturization of circuits in semiconductors, while the USHIO Group's discharge lamp-based manufacturing equipment represents a large portion of equipment currently in operation, there is always the possibility that semiconductor manufacturing photolithography technologies will evolve away from existing systems.

Exposure using excimer lasers is an example of such new trends, and is currently being developed by the Company's affiliate, Gigaphoton, Inc. The Company is also engaged in the development of an extreme ultraviolet (EUV) light source jointly with Xtreme Technologies GmbH, another Company affiliate. In this respect, the Group's performance and financial condition could be heavily impacted by any potential breakthroughs by Gigaphoton or Xtreme Technologies as well as by future developments in semiconductor manufacturing photolithography technologies.

4. Latent Risks from International Activities and Entry into Foreign Markets

The USHIO Group conducts manufacturing and marketing activities in such overseas locations as North America, Europe and Asia. Recently, the majority of OA equipment has come to be produced

in Asia, with the largest portion being produced in China. With its high market share, the Group is no exception in contributing to the increased production of OA equipment lamps, particularly in China. Therefore, the Group's performance and financial condition could be heavily impacted by any future alterations in policy or regulations in China.

5. Risks Regarding Foreign Exchange Fluctuations

The USHIO Group conducts general business transactions as well as loans and investments in both Japanese yen and foreign currencies. Accordingly, the Group's performance could be impacted from profits and losses stemming from fluctuations in foreign currencies as well as loans and investment in those currencies. While foreign exchange contracts are employed when necessary, the Group's performance and financial condition could be heavily impacted by fluctuations in foreign currencies whose effects are unavoidable.

6. Risks in Price Fluctuations for Marketable Securities

While the USHIO Group holds marketable securities as financial assets whose market value currently exceeds their original purchase price, the Group is cognizant that future market value could decline for unforeseen reasons. In relation, the Group's performance and financial condition could be heavily impacted by the price fluctuation risks that it incurs in holding these marketable securities.

7. Risks Associated with Employee Retirement Benefit Obligations

The Company and its domestic consolidated subsidiaries have such defined benefit plans as welfare pension fund plans and lump-sum payment plans. The USHIO Group's performance and financial condition could be heavily impacted by revisions in basic accounting practices for retirement benefit obligations, a worsening portfolio management environment for pension equities as well as increases in retirement benefit expenses owing to revisions in retirement benefit systems.

8. Risks Associated with Environmental Regulations

Environmental and other legal restrictions targeting the electric industry entail a broad range of obligations ranging from safety to contaminants emitted from plants. Revisions in these regulations very often result in even stricter regulations. Accordingly, the Group's performance and financial condition could be heavily impacted by expenses stemming from compliance with these regulations.

Consolidated Balance Sheets

USHIO INC. and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2007	2006	2007
CURRENT ASSETS:			
Cash and bank deposits (Note 12)	¥ 29,195	¥ 22,182	\$ 247,315
Short-term investments (Note 7)	6,567	5,539	55,631
Notes and accounts receivable	42,900	39,793	363,407
Less: Allowance for doubtful accounts	(767)	(618)	(6,505)
Inventories (Note 3)	29,469	26,511	249,639
Deferred tax assets (Note 4)	3,283	2,982	27,816
Prepaid expenses and other current assets	7,572	6,484	64,146
Total current assets	118,220	102,875	1,001,449
PROPERTY, PLANT AND EQUIPMENT, AT COST:			
Land	8,805	8,785	74,594
Buildings and structures (Note 3)	26,279	24,972	222,611
Machinery and equipment (Note 3)	34,672	32,589	293,712
Construction in progress	2,099	936	17,782
	71,855	67,283	608,699
Less: Accumulated depreciation	(35,714)	(33,083)	(302,540)
Property, plant and equipment, net	36,142	34,200	306,159
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 7)	76,113	69,188	644,751
Investments in and advances to affiliates	2,366	1,031	20,047
Deferred tax assets (Note 4)	274	540	2,325
Other assets	4,403	5,189	37,304
Total investments and other assets	83,157	75,951	704,427
Total assets	¥ 237,520	¥ 213,027	\$2,012,035

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	2007	2006	2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 3)	¥ 3,775	¥ 10,333	\$ 31,981
Current portion of long-term debt (Note 3)	3,090	102	26,175
Notes and accounts payable	21,220	17,417	179,760
Income taxes payable	5,676	4,351	48,088
Deferred tax liabilities (Note 4)	4	–	42
Other current liabilities	11,308	8,801	95,795
Total current liabilities	45,076	41,006	381,841
LONG-TERM LIABILITIES:			
Long-term debt (Note 3)	–	3,090	–
Deferred tax liabilities (Note 4)	19,496	15,447	165,153
Retirement benefits (Note 9)	547	448	4,642
Other long-term liabilities	1,661	1,761	14,077
Total long-term liabilities	21,706	20,746	183,872
MINORITY INTERESTS	–	740	–
Contingent liability (Note 13)			
NET ASSETS:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized – 300,000,000 shares;			
Issued – 139,628,721 shares	19,556	19,556	165,661
Additional paid-in capital	28,371	28,371	240,333
Retained earnings	93,141	79,350	788,997
Treasury stock, at cost	(2,984)	(1,895)	(25,280)
Total shareholders' equity	138,084	125,382	1,169,711
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities	30,594	24,611	259,168
Gain on deferred hedges	42	–	363
Translation adjustments	1,124	539	9,525
Total valuation, translation adjustments and other	31,761	25,151	269,056
Minority interests	891	–	7,555
Total net assets	170,738	150,533	1,446,322
Total liabilities and net assets	¥ 237,520	¥ 213,027	\$2,012,035

Consolidated Statements of Income

USHIO INC. and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Net sales	¥ 151,495	¥ 129,284	\$ 1,283,320
Cost of sales	103,848	85,025	879,700
Gross profit	47,647	44,258	403,620
Selling, general and administrative expenses (Note 5)	27,919	25,757	236,507
Operating income	19,727	18,501	167,113
Other income (expenses):			
Interest and dividend income	1,545	1,156	13,097
Interest expense	(413)	(416)	(3,502)
Other, net	4,313	3,928	36,542
	5,446	4,666	46,137
Income before income taxes and minority interests in earnings of affiliates	25,174	23,170	213,250
Income taxes (Note 4):			
Current	8,409	8,253	71,237
Deferred	20	(187)	175
	8,430	8,066	71,412
Income before minority interests in earnings of affiliates	16,743	15,104	141,838
Minority interests in earnings of affiliates	(190)	(209)	(1,615)
Net income (Note 11)	¥ 16,553	¥ 14,895	\$ 140,223

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

USHIO INC. and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
COMMON STOCK			
Balance at beginning of year			
(2007 – 139,628,721 shares; 2006 – 139,628,721 shares)	¥ 19,556	¥ 19,556	\$ 165,661
Balance at end of year			
(2007 – 139,628,721 shares; 2006 – 139,628,721 shares)	¥ 19,556	¥ 19,556	\$ 165,661
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	¥ 28,371	¥ 28,371	\$ 240,333
Balance at end of year	¥ 28,371	¥ 28,371	\$ 240,333
RETAINED EARNINGS			
Balance at beginning of year	¥ 79,350	¥ 67,219	\$ 672,179
Add:			
Net income	16,553	14,895	140,223
Deduct:			
Distributions	(2,762)	(2,763)	(23,405)
Balance at end of year	¥ 93,141	¥ 79,350	\$ 788,997
TREASURY STOCK			
Balance at beginning of year	¥ (1,895)	¥ (1,834)	\$ (16,056)
Net change during the year	(1,088)	(61)	(9,224)
Balance at end of year	¥ (2,984)	¥ (1,895)	\$ (25,280)
UNREALIZED HOLDING GAIN ON OTHER SECURITIES			
Balance at beginning of year	¥ 24,611	¥ 17,950	\$ 208,487
Net change during the year	5,982	6,661	50,681
Balance at end of year	¥ 30,594	¥ 24,611	\$ 259,168
GAIN ON DEFERRED HEDGES			
Balance at beginning of year	¥ –	¥ –	\$ –
Net change during the year	42	–	363
Balance at end of year	¥ 42	¥ –	\$ 363
TRANSLATION ADJUSTMENTS			
Balance at beginning of year	¥ 539	¥ (1,959)	\$ 4,568
Net change during the year	585	2,498	4,957
Balance at end of year	¥ 1,124	¥ 539	\$ 9,525
MINORITY INTERESTS			
Balance at beginning of year	¥ 740	¥ 501	\$ 6,270
Net change during the year	151	239	1,285
Balance at end of year	¥ 891	¥ 740	\$ 7,555

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

USHIO INC. and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
OPERATING ACTIVITIES			
Income before income taxes and minority interests in earnings of affiliates . . .	¥ 25,174	¥ 23,170	\$ 213,250
Adjustments to reconcile income before income taxes and minority interests in earnings of affiliates to net cash provided by operating activities:			
Depreciation and amortization	5,179	4,763	43,873
Interest and dividend income	(1,546)	(1,156)	(13,097)
Interest expense	413	416	3,502
Gain on investments in business partnerships	(67)	(1,014)	(575)
Equity in gains of affiliates	(1,020)	(409)	(8,640)
Gain on sale of investment securities	(2,469)	(1,309)	(20,918)
Loss on sale of investment securities	222	–	1,882
Increase in notes and accounts receivable	(2,803)	(3,045)	(23,745)
Increase in inventories	(2,615)	(2,283)	(22,159)
Increase (decrease) in notes and accounts payable	3,515	(633)	29,776
Other	2,111	104	17,888
Subtotal	26,093	18,602	221,037
Interest and distributions received	1,668	1,256	14,138
Interest paid	(358)	(422)	(3,040)
Income taxes paid	(7,331)	(10,038)	(62,108)
Net cash provided by operating activities	20,071	9,397	170,027
INVESTING ACTIVITIES			
Increase in time deposits	(8,689)	(1,389)	(73,605)
Proceeds from time deposits	1,910	1,415	16,187
Increase in short-term loans receivable	(4,371)	(2,932)	(37,033)
Proceeds from collection of short-term loans receivable	4,119	1,720	34,899
Purchases of short-term investments	–	(1,099)	–
Proceeds from redemption and sale of short-term investments	3,365	1,050	28,509
Purchases of property, plant and equipment	(6,507)	(8,119)	(55,122)
Proceeds from sale of property, plant and equipment	349	269	2,964
Increase in intangible fixed assets	(223)	(199)	(1,895)
Increase in investment securities	(2,322)	(5,014)	(19,671)
Proceeds from sale of investment securities	5,474	3,598	46,372
Increase in investments in capital	–	(193)	–
Increase in long-term loans receivable	(363)	(502)	(3,076)
Proceeds from collection of long-term loans receivable	1	1,660	11
Other	27	(26)	237
Net cash used in investing activities	(7,227)	(9,762)	(61,224)
FINANCING ACTIVITIES			
Decrease in short-term bank loans	(6,608)	(346)	(55,977)
Proceeds from long-term bank loans	–	360	–
Repayment of long-term debt	(102)	(466)	(868)
Purchases of treasury stock	(1,088)	(61)	(9,224)
Distributions paid	(2,767)	(2,756)	(23,440)
Payment of distributions to minority interests	(59)	(53)	(502)
Net cash used in financing activities	(10,625)	(3,324)	(90,011)
Effect of exchange rate changes on cash and cash equivalents	202	954	1,717
Net increase (decrease) in cash and cash equivalents	2,421	(2,734)	20,510
Cash and cash equivalents at beginning of the year	22,701	25,436	192,303
Cash and cash equivalents at end of the year (Note 12)	¥ 25,122	¥ 22,701	\$ 212,813

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

USHIO INC. and Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of presentation

USHIO INC. (the “Company”) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain reclassifications have been made to the prior year’s consolidated financial statements to conform them to the current year’s presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company’s equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries and affiliates are revalued on acquisition, if applicable. The excess of cost over the underlying net equity in the assets at the dates of acquisition is amortized by the straight-line method over five years or is charged or credited to income as an extraordinary item when incurred, if immaterial.

(c) Foreign currency translation

The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of shareholders’ equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders’ equity are translated at their historical exchange rates. The differences arising from translation when two exchange rates have been used are presented as translation adjustments, a component of net assets, in the accompanying consolidated financial statements.

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. Gains and losses resulting from the settlement of these items are credited or charged currently to income.

(d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(e) Short-term investments and investment securities

Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(f) Inventories

Finished goods, merchandise and work in process, and raw materials of the Company and the subsidiaries are stated at cost or at the lower of cost or market based on the following methods:

	Company	Subsidiaries
Finished goods, merchandise and work in process	Stated at cost determined by the average method.	Principally stated at the lower of cost or market, cost determined by the FIFO method.
Raw materials	Stated at cost determined by the moving-average method.	Principally stated at the lower of cost or market, cost determined by the FIFO method.

(g) Depreciation and amortization

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives of the respective assets. However, buildings (excluding attachments to the buildings) acquired on or after April 1, 1998 by the Company and its domestic subsidiaries are depreciated by the straight-line method.

Property, plant and equipment of the overseas subsidiaries are depreciated mainly by the straight-line method over the estimated useful lives of the respective assets.

Intangible assets are amortized by the straight-line method.

Software development costs are amortized by the straight-line method over an estimated useful life of five years.

(h) Leases

Except for finance lease agreements, under which the ownership of the leased assets is deemed to be transferred to the lessee, lease fees are charged to income when incurred.

(i) Research and development expenses

Research and development expenses are charged to income when incurred.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables, and has been determined based on historical experience with write-offs plus an estimated amount for probable specific doubtful accounts after a review of the collectibility of individual receivables.

(k) Allowance for employees' bonuses

The allowance for employees' bonuses represents a provision for the future payment of employees' bonuses. The allowance is provided at the amount which is expected to be paid.

(l) Retirement and severance benefits

The Company and certain of its subsidiaries participate in a contributory defined benefit pension plan, which entitles employees of the Company and these subsidiaries upon retirement to either a lump-sum payment or pension annuity payments for life, or a combination of both, based on length of service, basic salary at retirement and the number of years of participation in the plan. In addition, additional retirement payments which are not included in the plan may be made when employees retire.

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the year end. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (15 years). Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of service of the eligible employees (15 years).

Consolidated subsidiaries in Japan provide for retirement allowances for directors and corporate auditors at the full amount which would be required to be paid if all directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(m) Warranty reserve

A warranty reserve is provided for expenses of after-sales service and free repairs for products sold by the Company and consolidated subsidiaries at an amount estimated to be incurred in the future.

Until the year ended March 31, 2006, the Company recognized the cost of such after-sales service and free repairs as expenses when incurred. Effective the year ended March 31, 2007, the Company has changed its method of accounting for the warranty reserve to an accrual basis due to an increase in its materiality in the financial reporting.

2. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements with respect to the year ended March 31, 2007 have been presented in U.S. dollars by translating all yen amounts at ¥118.05 = U.S.\$1.00, the exchange rate prevailing on March 31,

The effect of this change in method of accounting was to increase operating income and income before income taxes and minority interests in earnings of affiliates by ¥168 million (\$1,426 thousand) over the amount which would have been recorded under the method applied in the previous year.

(n) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered primarily into currency and interest-related derivative transactions in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates and interest rates. In accordance with the accounting standard for financial instruments, derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

(o) Deferred income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(p) Change in method of accounting

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Total shareholders' equity under the previous method of presentation amounted to ¥169,803 million (\$1,438,404 thousand) at March 31, 2007.

2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans consisted mainly of unsecured and secured loans payable to banks at interest rates ranging from 0.66% to 1.34% and from 0.62% to 9.50% per annum at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
USHIO Inc.:			
Loans from banks, due through 2008 at rates from 0.66% to 0.88%	¥ 2,840	¥ 2,840	\$ 24,058
Subsidiaries:			
Loans from banks, due through 2008 at rates ranging from 0.99% to 1.34%	250	352	2,118
Total long-term debt	3,090	3,192	26,175
Less: Current portion	3,090	102	26,175
	¥ —	¥ 3,090	\$ —

The assets pledged as collateral for debt at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Inventories	¥ 60	\$ 517
Buildings and structures	13	111
Machinery, equipment and vehicles	20	172
Tools, appliances and furniture	1	15
Other fixed assets	3	30
	¥ 99	\$ 844

The related debt for which the above assets were pledged as collateral at March 31, 2007 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term bank loans	¥ 27	\$ 234
	¥ 27	\$ 234

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 3,090	\$ 26,175
	¥ 3,090	\$ 26,175

4. Income Taxes

Income taxes applicable to the Company and certain of its domestic subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended March 31, 2007

and 2006. Income taxes of the overseas consolidated subsidiaries are based, in general, on the tax rates applicable in their respective countries of incorporation.

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Deferred tax assets:			
Allowance for doubtful accounts	¥ 270	¥ -	\$ 2,288
Enterprise tax payable	309	294	2,626
Allowance for employees' bonuses	886	847	7,512
Allowance for product warranties	330	-	2,796
Retirement benefit expenses	1,471	1,503	12,462
Allowance and accrual for retirement benefits for directors and corporate auditors	632	649	5,360
Write-downs of inventories	414	-	3,511
Net loss carryforwards	325	644	2,756
Other	1,514	2,357	12,832
Total deferred tax assets	6,155	6,297	52,142
Deferred tax liabilities:			
Unrealized holding gain on other securities	(20,982)	(16,938)	(177,744)
Depreciation	(135)	(224)	(1,145)
Gain on contribution of securities to employees' retirement benefit trust	(766)	(766)	(6,497)
Other	(213)	(292)	(1,810)
Total deferred tax liabilities	(22,098)	(18,221)	(187,196)
Net deferred tax liabilities	¥ (15,943)	¥ (11,924)	\$ (135,053)

A reconciliation between the statutory tax rate and the effective tax rates as a percentage of income before income taxes and minority interests in earnings or affiliates for the years ended March 31, 2007 and 2006 is summarized as follows:

	2007	2006
Statutory tax rate	40.7%	40.7%
Reconciliation:		
Increase in valuation allowance for deferred tax assets	(0.1)	(0.4)
Income not recognized for income tax purposes	(0.6)	(0.4)
Non-deductible for income tax purposes expenses	0.2	0.2
Tax deductions related to R&D activities	(1.2)	(2.1)
Foreign tax credits	(0.3)	(1.1)
Different tax rates applied to overseas subsidiaries	(4.7)	(3.4)
Equity in gains of affiliates	(1.7)	-
Other	1.2	1.3
Effective tax rates	33.5%	34.8%

5. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
	¥ 4,884	¥ 4,645	\$ 41,376

6. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation/amortization and net book value of the leased assets as of March 31, 2007 and 2006, which would have been

reflected in the consolidated balance sheets if lease accounting had been applied to the finance leases currently accounted for as operating leases.

	2007			
	Millions of yen			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	¥ 59	¥ 87	¥ 30	¥ 177
Accumulated depreciation/amortization	32	61	19	114
Book value	¥ 26	¥ 25	¥ 10	¥ 63

	Thousands of U.S. dollars			
	Acquisition costs	\$ 506	\$ 740	\$ 259
Accumulated depreciation/amortization	278	522	169	970
Book value	\$ 228	\$ 217	\$ 90	\$ 535

	2006			
	Millions of yen			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	¥ 48	¥ 202	¥ 36	¥ 287
Accumulated depreciation/amortization	20	149	19	190
Book value	¥ 27	¥ 52	¥ 16	¥ 97

Lease expenses relating to finance leases accounted for as operating leases for the years ended March 31, 2007 and 2006 totaled ¥51 million (\$440 thousand) and ¥76 million, respectively. The following pro forma amounts represent interest expense and depreci-

ation for the years ended March 31, 2007 and 2006, which would have been reflected in the statements of income if lease accounting had been applied to the finance leases currently accounted for as operating leases.

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Interest expense	¥ 51	¥ 76	\$ 440
Depreciation	51	76	440

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases, except for lease agreements which stipu-

late the transfer of ownership of the leased property to the Company and its subsidiaries, are summarized as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Due within one year or less	¥ 28	\$ 244	
Due subsequent to one year	34	291	
Total	¥ 63	\$ 535	

The amount of future minimum lease payments was less than the threshold indicated by the Accounting Board of the Japanese Institute of Certified Public Accountants. Accordingly, the acquisition costs of the leased assets and future minimum lease payments

include the related interest. This inclusion of interest was deemed insignificant. Future minimum lease payments on operating leases, which are lease transactions other than finance leases are summarized as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Due within one year or less	¥ 162	\$ 1,379	
Due subsequent to one year	463	3,925	
Total	¥ 626	\$ 5,303	

7. Short-Term Investments and Investment Securities

Securities classified as trading securities, held-to-maturity securities and other securities as of March 31, 2007 and 2006 are summarized as follows:

1. Trading securities

As of March 31, 2007						
Millions of yen			Thousands of U.S. dollars			
Carrying value	Loss		Carrying value	Loss		
¥ 276	¥ (39)		\$ 2,343	\$ (333)		
As of March 31, 2006						
Millions of yen			Thousands of U.S. dollars			
Carrying value	Gain					
¥ 727	¥ 221					

2. Marketable held-to-maturity securities

As of March 31, 2007						
Millions of yen			Thousands of U.S. dollars			
Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)	
Securities whose estimated fair value exceeds their carrying value:						
(1) Government bonds, municipal bonds	¥ 50	¥ 50	¥ 0	\$ 424	\$ 425	\$ 1
Subtotal	50	50	0	424	425	1
Securities whose carrying value exceeds their estimated fair value:						
(1) Government bonds, municipal bonds	130	129	(1)	1,105	1,095	(10)
(2) Corporate bonds	204	201	(3)	1,730	1,703	(27)
Subtotal	334	330	(4)	2,835	2,799	(37)
Total	¥ 384	¥ 380	¥ (4)	\$ 3,259	\$ 3,223	\$ (36)

As of March 31, 2006						
Millions of yen			Thousands of U.S. dollars			
Carrying value	Estimated fair value	Unrealized gain (loss)				
Securities whose estimated fair value exceeds their carrying value:						
(1) Government bonds, municipal bonds	¥ 50	¥ 50	¥ 0			
(2) Corporate bonds	70	70	0			
Subtotal	120	120	0			
Securities whose carrying value exceeds their estimated fair value:						
(1) Government bonds, municipal bonds	130	128	(1)			
(2) Corporate bonds	205	200	(5)			
Subtotal	336	328	(7)			
Total	¥ 456	¥ 449	¥ (6)			

3. Marketable other securities

As of March 31, 2007						
Millions of yen			Thousands of U.S. dollars			
Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	
Securities whose carrying value exceeds their acquisition cost:						
(1) Stock	¥ 10,309	¥ 62,045	¥ 51,736	\$ 87,334	\$ 525,589	\$ 438,255
(2) Bonds						
Government bonds, municipal bonds	420	467	46	3,562	3,958	396
Corporate bonds	3,523	3,773	249	29,848	31,965	2,116
(3) Other	640	1,321	681	5,423	11,195	5,772
Subtotal	14,894	67,608	52,713	126,168	572,707	446,539
Securities whose acquisition cost exceeds their carrying value:						
(1) Stock	3,757	3,271	(486)	31,831	27,711	(4,120)
(2) Bonds						
Corporate bonds	3,690	3,593	(96)	31,258	30,440	(818)
(3) Other	1,994	1,459	(535)	16,896	12,361	(4,535)
Subtotal	9,442	8,323	(1,118)	79,984	70,512	(9,472)
Total	¥ 24,336	¥ 75,932	¥ 51,595	\$ 206,152	\$ 643,219	\$ 437,067

As of March 31, 2006						
Millions of yen			Thousands of U.S. dollars			
Acquisition cost	Carrying value	Unrealized gain (loss)				
Securities whose carrying value exceeds their acquisition cost:						
(1) Stock	¥ 12,445	¥ 53,511	¥ 41,065			
(2) Bonds						
Government bonds, municipal bonds	420	457	36			
Corporate bonds	4,584	4,889	304			
(3) Other	639	978	339			
Subtotal	18,090	59,837	41,746			
Securities whose acquisition cost exceeds their carrying value:						
(1) Stock	4	3	(0)			
(2) Bonds						
Corporate bonds	5,809	5,574	(235)			
(3) Other	3,000	2,429	(570)			
Subtotal	8,814	8,007	(807)			
Total	¥ 26,905	¥ 67,844	¥ 40,939			

4. Other securities sold during the years ended March 31, 2007 and 2006

		Millions of yen		Thousands of U.S. dollars
		2007	2006	2007
Sale of securities	¥	1,438	2,579	\$ 12,188
Gain on sale		2,469	1,244	20,918
Loss on sale		222	4	1,882

5. Non-marketable securities

		Millions of yen		Thousands of U.S. dollars
		2007	2006	2007
Other securities				
Unlisted stocks	¥	1,207	1,311	\$ 10,229
Money management funds		3,903	1,666	33,068
Investments in business partnerships with limited liability and similar types of funds		974	2,720	8,258

6. The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity securities as of March 31, 2007 and 2006 is summarized as follows:

	As of March 31, 2007					
	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
1. Bonds						
(1) Government bonds, municipal bonds	¥ 50	¥ 602	¥ -	\$ 424	\$ 5,101	\$ -
(2) Corporate bonds	2,301	3,637	236	19,499	30,810	2,000
(3) Other	0	0	0	3	3	6
2. Other	-	-	1,459	-	-	12,361
Total	¥ 2,352	¥ 4,239	¥ 1,696	\$ 19,926	\$ 35,914	\$ 14,367

	As of March 31, 2006					
	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
1. Bonds						
(1) Government bonds, municipal bonds	¥ -	¥ 649	¥ -			
(2) Corporate bonds	3,066	5,889	469			
(3) Other	0	0	0			
2. Other	-	-	2,429			
Total	¥ 3,067	¥ 6,539	¥ 2,899			

8. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivatives positions outstanding at March 31, 2007 and 2006.

Currency-related transactions:

	As of March 31, 2007					
	Millions of yen			Thousands of U.S. dollars		
	Notional amounts	Fair value	Unrealized gain (loss)	Notional amounts	Fair value	Unrealized gain (loss)
Bilateral transactions						
Forward foreign exchange contracts						
Sell:						
US\$	¥ 708	¥ 703	¥ 4	\$ 6,001	\$ 5,961	\$ 40
Euro	279	283	(3)	2,372	2,401	(30)
Buy:						
Euro	61	64	2	522	543	20
Total	¥ 1,050	¥ 1,051	¥ 3	\$ 8,895	\$ 8,905	\$ 31

	As of March 31, 2006					
	Millions of yen			Thousands of U.S. dollars		
	Notional amounts	Fair value	Unrealized gain (loss)	Notional amounts	Fair value	Unrealized gain (loss)
Bilateral transactions						
Forward foreign exchange contracts						
Sell:						
US\$	¥ 465	¥ 471	¥ (5)			
Euro	183	185	(2)			
Buy:						
Euro	-	-	-			
Total	¥ 648	¥ 657	¥ (8)			

9. Retirement Benefits Plans

The Company and certain of its consolidated subsidiaries have defined benefit plans such as welfare pension fund plans and lump-sum payment plans, covering substantially all employees who are entitled, upon retirement, to annuity or lump-sum payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termina-

tion occurs. The Company has established an employees' retirement benefit trust.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(1) Retirement benefit obligation	¥ (17,119)	¥ (15,975)	\$ (145,023)
(2) Plan assets at fair value (including the trust fund for retirement benefits)	16,826	14,592	142,538
(3) Unfunded net retirement benefit obligation (1)+(2)	(293)	(1,383)	(2,485)
(4) Unrecognized actuarial gain or loss	507	1,588	4,301
(5) Unrecognized prior service cost	(336)	(372)	(2,849)
(6) Net liability for retirement benefits (3)+(4)+(5)	(121)	(167)	(1,033)
(7) Prepaid pension expense	359	220	3,045
(8) Accrued retirement benefits (6)-(7)	¥ (481)	¥ (387)	\$ (4,078)

Notes: 1. The government-sponsored portion of the benefits under the welfare pension fund plans is included in the amounts presented in the above table.
2. Certain consolidated subsidiaries have adopted a simplified method for computing their retirement benefit obligation.

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(1) Service cost *1 and *2	¥ 848	¥ 774	\$ 7,190
(2) Interest cost	390	359	3,310
(3) Expected return on plan assets	(480)	(357)	(4,069)
(4) Amortization of actuarial gain or loss	175	311	1,484
(5) Amortization of prior service cost	(36)	(36)	(306)
Total retirement benefit expenses *3	¥ 898	¥ 1,052	\$ 7,609

Notes: *1 The employees' portion of the contributions to the welfare pension fund plans has been excluded.
*2 The retirement benefit expenses of the consolidated subsidiaries which adopted the simplified method have been included in (1) service cost.
*3 In addition to total retirement benefit expenses, the Company paid ¥11 million (\$99 thousand) and ¥19 million as additional retirement payments for the years ended March 31, 2007 and 2006, respectively.

The assumptions used in accounting for the retirement benefit obligation were as follows:

	2007	2006
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	4.5%	4.5%
Actual cost method	Unit credit method	
Amortization period of prior service cost	15 years (straight-line method)	
Amortization period of actuarial gain or loss	15 years (straight-line method)	

10. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Both the legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. In accordance with the Code, the Company has provided a legal reserve which is included in retained earnings.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law provides that amounts from additional paid-in capital and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in additional paid-in capital or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

11. Amounts Per Share

Amounts per share of net income and net assets, as presented below, are based on the weighted-average number of shares of common stock outstanding during each year and the number of shares outstanding at each balance sheet date, respectively.

	Yen		U.S. dollars	
	2007	March 31, 2006	2007	
Net income	¥ 120.16	¥ 107.81	\$ 1.02	
Net assets	1,233.65	1,089.67	10.45	

Per share amounts assuming full dilution have not been presented because no common stock equivalents remained outstanding at March 31, 2007 and 2006.

12. Supplementary Cash Flow Information

The following table presents a reconciliation of cash and bank deposits with cash and cash equivalents at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	
Cash and bank deposits	¥ 29,195	¥ 22,182	\$ 247,315	
Time deposits with a maturity of more than three months	(7,976)	(1,147)	(67,570)	
Short-term investments	6,567	5,539	55,631	
Equity and debt securities with a maturity of more than three months	(2,663)	(3,873)	(22,564)	
Cash and cash equivalents	¥ 25,122	¥ 22,701	\$ 212,813	

13. Contingent Liability

The Company guaranteed an affiliate's loans borrowed from its business connections amounting to ¥295 million (\$2,500 thousand) at March 31, 2007.

14. Segment Information

The business and geographical segment information and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 are outlined as follows:

Business segments

	Year ended March 31, 2007				
	Millions of yen				
	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥ 146,387	¥ 5,108	¥ 151,495	¥ -	¥ 151,495
Intersegment sales or transfers	44	29	73	(73)	-
Net sales	146,431	5,137	151,569	(73)	151,495
Operating expenses	127,163	4,684	131,848	(80)	131,768
Operating income	¥ 19,268	¥ 453	¥ 19,721	¥ (6)	¥ 19,727
II. Total assets, depreciation and capital expenditures					
Total assets	¥ 174,405	¥ 9,491	¥ 183,897	¥ 53,623	¥ 237,520
Depreciation	5,148	31	5,179	-	5,179
Capital expenditures	6,716	32	6,748	-	6,748

	Thousands of U.S. dollars				
	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
	I. Sales and operating income				
Sales to external customers	\$ 1,240,047	\$ 43,273	\$ 1,283,320	\$ -	\$ 1,283,320
Intersegment sales or transfers	374	250	624	(624)	-
Net sales	1,240,421	43,523	1,283,944	(624)	1,283,320
Operating expenses	1,077,200	39,684	1,116,884	(678)	1,116,207
Operating income	\$ 163,221	\$ 3,839	\$ 167,059	\$ (54)	\$ 167,113
II. Total assets, depreciation and capital expenditures					
Total assets	\$ 1,477,391	\$ 80,401	\$ 1,557,792	\$ 454,242	\$ 2,012,035
Depreciation	43,609	265	43,873	-	43,873
Capital expenditures	56,895	272	57,167	-	57,167

Year ended March 31, 2006

	Millions of yen				
	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥ 125,306	¥ 3,977	¥ 129,284	¥ -	¥ 129,284
Intersegment sales or transfers	83	106	189	(189)	-
Net sales	125,389	4,084	129,474	(189)	129,284
Operating expenses	107,177	3,795	110,972	(189)	110,783
Operating income	¥ 18,212	¥ 289	¥ 18,501	¥ (0)	¥ 18,501
II. Total assets, depreciation and capital expenditures					
Total assets	¥ 159,874	¥ 6,561	¥ 166,436	¥ 46,590	¥ 213,027
Depreciation	4,735	28	4,763	-	4,763
Capital expenditures	6,781	29	6,810	-	6,810

Notes: a) Basis of segmentation

(1) Business segments are divided into categories based on the usage of each product in the market.

(2) Major products in each business segment:

Light source application products - halogen lamps, xenon lamps, high pressure UV lamps, projection lamps for movie theaters and peripheral equipment, UV curing systems, excimer VUV and O₃ cleaning systems, and various other exposure systems

Machinery for industrial uses and other business - injection molding machinery, food packaging systems, and automatic controls

b) Included in eliminations or unallocated amounts of total assets are unallocated amounts totaling ¥58,994 million (\$499,745 thousand) and ¥52,957 million at March 31, 2007 and 2006, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

c) Included in depreciation and capital expenditures are amortization and additions to long-term prepaid expenses, respectively.

Geographical segments

	Year ended March 31, 2007						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥ 60,173	¥ 54,790	¥ 6,704	¥ 29,827	¥ 151,495	¥ -	¥ 151,495
Intersegment sales or transfers	21,848	720	923	2,923	26,416	(26,416)	-
Net sales	82,022	55,511	7,627	32,750	177,912	(26,416)	151,495
Operating expenses	70,131	52,982	7,025	27,863	158,002	(26,234)	131,768
Operating income	¥ 11,891	¥ 2,529	¥ 601	¥ 4,887	¥ 19,910	¥ (182)	¥ 19,727
II. Total assets	¥ 135,553	¥ 41,142	¥ 17,733	¥ 23,739	¥ 218,167	¥ 19,352	¥ 237,520

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	\$ 509,730	\$ 464,134	\$ 56,791	\$ 252,666	\$ 1,283,320	\$ -	\$ 1,283,320
Intersegment sales or transfers	185,081	6,106	7,824	24,763	223,775	(223,775)	-
Net sales	694,811	470,240	64,615	277,429	1,507,094	(223,775)	1,283,320
Operating expenses	594,080	448,811	59,517	236,029	1,338,436	(222,229)	1,116,207
Operating income	\$ 100,731	\$ 21,430	\$ 5,098	\$ 41,400	\$ 168,659	\$ (1,546)	\$ 167,113
II. Total assets	\$ 1,148,269	\$ 348,519	\$ 150,216	\$ 201,093	\$ 1,848,097	\$ 163,937	\$ 2,012,035

	Year ended March 31, 2006						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥ 60,338	¥ 38,623	¥ 5,617	¥ 24,705	¥ 129,284	¥ -	¥ 129,284
Intersegment sales or transfers	17,934	780	666	5,241	24,622	(24,622)	-
Net sales	78,272	39,403	6,283	29,946	153,907	(24,622)	129,284
Operating expenses	65,490	37,811	6,002	25,868	135,172	(24,389)	110,783
Operating income	¥ 12,782	¥ 1,592	¥ 281	¥ 4,078	¥ 18,734	¥ (233)	¥ 18,501
II. Total assets	¥ 125,172	¥ 28,933	¥ 12,252	¥ 21,922	¥ 188,280	¥ 24,746	¥ 213,027

Notes: a) Geographical segments are divided into categories based on their geographical proximity.

b) Major nations or regions included in each geographical segment:

(1) North America — U.S.A., Canada

(2) Europe — Netherlands, Germany, U.K., France

(3) Asia — China, Taiwan, Korea, Philippines, Singapore

c) Included in eliminations or unallocated amounts of total assets are unallocated amounts totaling ¥58,994 million (\$499,745 thousand) and ¥52,957 million at March 31, 2007 and 2006, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

Overseas sales

	Year ended March 31, 2007				
	Millions of yen				
	North America	Europe	Asia	Other areas	Total
III. Overseas sales					
Overseas sales	¥ 44,135	¥ 13,187	¥ 35,754	¥ 769	¥ 93,847
Consolidated net sales					¥ 151,495
Overseas sales as a percentage of consolidated net sales	29.1%	8.7%	23.6%	0.5%	61.9%

	Thousands of U.S. dollars				
	North America	Europe	Asia	Other areas	Total
	III. Overseas sales				
Overseas sales	\$ 373,870	\$ 111,715	\$ 302,878	\$ 6,521	\$ 794,984
Consolidated net sales					\$ 1,283,320

	Year ended March 31, 2006				
	Millions of yen				
	North America	Europe	Asia	Other areas	Total
III. Overseas sales					
Overseas sales	¥ 29,874	¥ 10,295	¥ 31,860	¥ 656	¥ 72,688
Consolidated net sales					¥ 129,284
Overseas sales as a percentage of consolidated net sales	23.1%	8.0%	24.6%	0.5%	56.2%

- Notes: a) Geographical areas are divided into categories based on their geographical proximity.
 b) Major nations or regions included in each geographical area:
 (1) North America — U.S.A., Canada
 (2) Europe — Netherlands, Germany, U.K., France
 (3) Asia — China, Taiwan, Korea, Philippines, Singapore
 (4) Other areas — Argentina, Brazil
 c) Overseas sales are sales of the Company and its subsidiaries.

15. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2007, was approved at a shareholders' meeting held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥24 = U.S.\$0.20 per share)	¥ 3,304	\$ 27,991
	¥ 3,304	\$ 27,991

Ernst & Young ShinNihon

The Board of Directors

USHIO INC.

We have audited the accompanying consolidated balance sheets of USHIO INC. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USHIO INC. and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young Shin Nihon

Tokyo, Japan

June 28, 2007

Domestic Group Companies

August 31, 2007

USHIO LIGHTING, INC.

Business activities:

Manufacture and sale of halogen lamps, metal halide lamps, ceramic metal halide lamps for illumination, halogen heaters, heaters for semiconductors, fiber optic lights and LEDs. Sale of stage effect lighting systems, marine lighting systems, emergency and security lighting systems, UV exposure systems, plastic factory automation systems, food wrapping and packaging systems and other products

• **TOKYO HEAD OFFICE**

Shuwa Higashi-Yaesu Bldg., 2-9-1 Hatchobori, Chuo-ku, Tokyo 104-0032
Tel: +81 3-3552-8261
Fax: +81 3-3552-8263
<http://www.ushiolighting.co.jp>

• **FUKUSAKI HEAD OFFICE / PLANT**

860-22 Saiji, Fukusaki-cho, Kanzaki-gun, Hyogo 679-2215
Tel: +81 790-22-6371
Fax: +81 790-22-6502

HYOGO USHIO LIGHTING, INC.

Business activities:

Manufacture of halogen lamps for illumination
159-1 Igidani, Yamasaki-cho, Shiso-shi, Hyogo 671-2517
Tel: +81 790-64-4832
Fax: +81 790-64-4831

GUNMA USHIO ELECTRIC, INC.

Business activities:

Manufacture and sale of office equipment, power supply equipment, light source equipment, medical equipment and other products
262 Kondo-cho, Tatebayashi-shi, Gunma 374-8521
Tel: +81 276-73-4611
Fax: +81 276-74-7471
<http://www.gunma-ushio.co.jp>

TSUKUBA USHIO ELECTRIC, INC.

Business activities:

Manufacture and sale of xenon flash lamps and other products
5-2-1 Toukoudai, Tsukuba-shi, Ibaraki 300-2635
Tel: +81 29-847-5111
Fax: +81 29-847-5051
<http://www.tukubaushio.co.jp>

XEBEX, INC.

Business activities:

Sale of cinema projection and sound systems, peripheral equipment and other products
NishinoKinryo Bldg., 4-9-4 Hatchobori, Chuo-ku, Tokyo 104-0032
Tel: +81 3-5566-9100
Fax: +81 3-3553-9700
<http://www.xebex.co.jp>

USHIO SPAX, INC.

Business activities:

Manufacture and sale of lighting equipment and optical equipment; room lighting design
1-20-19 Horikiri, Katsushika-ku, Tokyo 124-0006
Tel: +81 3-5672-7711
Fax: +81 3-5672-7734

GIGAPHOTON, INC.

Business activities:

Research, development, manufacture, sale and servicing of excimer lasers for the semiconductor photolithography process
400 Yokokurashinden, Oyama-shi, Tochigi 323-8558
Tel: +81 285-28-8410
Fax: +81 285-28-8439
<http://www.gigaphoton.com>

NIHON DENSHI GIJUTSU CO., LTD.

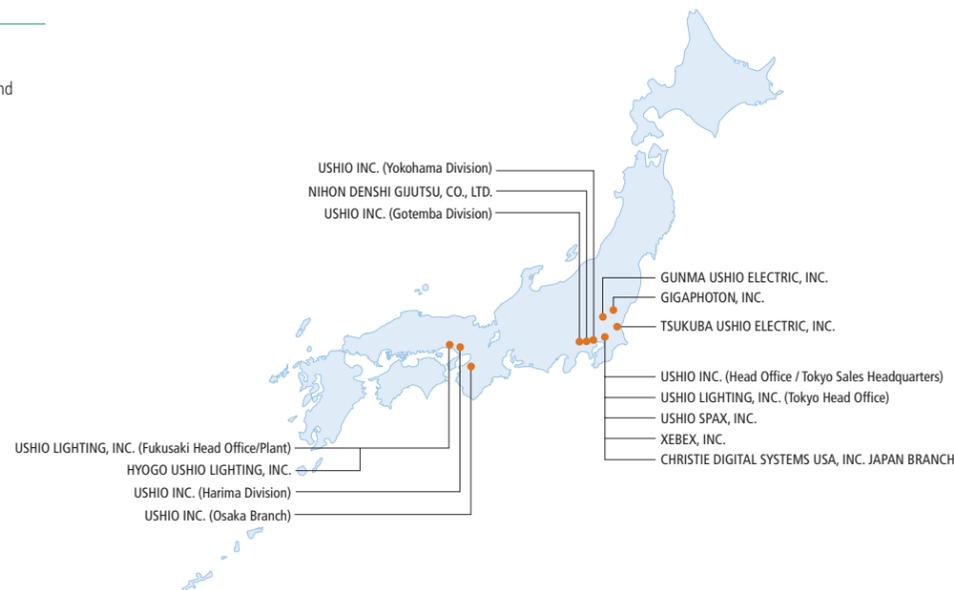
Business activities:

Design of control circuits
2-2-27 Takane, Sagami-hara-shi, Kanagawa 229-0021
Tel: +81 42-756-9400
Fax: +81 42-758-6847
<http://www.ndg.co.jp>

CHRISTIE DIGITAL SYSTEMS USA, INC. JAPAN BRANCH

Business activities:

Sale of various projection systems and light source-related equipment
Ariake-Frontier Bldg., A-2F, 3-1-25 Ariake, Koto-ku, Tokyo, 135-0063
Tel: +81 3-3599-7481
Fax: +81 3-3599-7482
<http://www.christie.jp>



Overseas Group Sales Companies

August 31, 2007

NORTH AMERICA

USHIO AMERICA, INC.

Business activities:

Sale of super high-pressure UV lamps; development, manufacture and sale of halogen lamps for OA equipment, heater lamps for industry use and other products
5440 Cerritos Avenue, Cypress, CA 90630, U.S.A.
Tel: +1 714-236-8600
Fax: +1 714-229-3180
<http://www.ushio.com>

USHIO CANADA, INC.

Business activities:

Sale of super high-pressure UV lamps, metal halide lamps, halogen lamps and other products
2730 Brighton Road, Oakville, Ontario, L6H 5T4, Canada
Tel: +1 905-829-3338
Fax: +1 905-829-5343

CHRISTIE DIGITAL SYSTEMS USA, INC.

Business activities:

Manufacture and sale of movie theater projection systems and light source-related equipment
10550 Camden Drive, Cypress, CA 90630, U.S.A.
Tel: +1 714-236-8610
Fax: +1 714-503-3385
<http://www.christiedigital.com>

EUROPE

USHIO EUROPE B.V.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, optical systems and other products
Sky Park, Breguetlaan 16-18, 1438BC Oude Meer, the Netherlands
Tel: +31 20-446-9333
Fax: +31 20-446-0360
<http://www.ushio.eu>

USHIO FRANCE S.A.R.L.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps and other products
Z.I. du Vert Galant-Allée St. Simon B.P. 7043-St. Ouen L'Aumone 95051, Cergy Pontoise Cedex, France
Tel: +33 1-34-64-94-94
Fax: +33 1-34-64-44-97
<http://www.ushio.eu>

USHIO DEUTSCHLAND GmbH

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, UV long-arc lamps, halogen heater lamps and other products
Münchener Strasse 10, 85643 Steinhöring, Germany
Tel: +49 8094-9054-0
Fax: +49 8094-9054-190
<http://www.ushio.de>

USHIO U.K., LTD.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps and other products
Unit 25 & 26, Rabans Close, Rabans Lane Industrial Estate, Aylesbury, Bucks HP19 8TR, U.K.
Tel: +44 1296-339-988
Fax: +44 1296-339-908
<http://www.ushio.eu>

ASIA

USHIO SINGAPORE PTE LTD.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, optical systems and other products
1, Jalan Kilang #05-01, Dynasty Industrial Bldg., Singapore 159402
Tel: +65 6274-5311
Fax: +65 6274-5300

USHIO TAIWAN, INC.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, various exposure systems, optical systems, lasers and other products
10/F, #31, Sec. 1, Chung-Shiaw E. Road, Taipei, Taiwan, R.O.C.
Tel: +886 2-2322-4103
Fax: +886 2-2394-4140
<http://www.ushio.com.tw>

USHIO KOREA, INC.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, various exposure systems, optical systems, excimer lasers for semiconductor photolithography and other products
Dukheung Bldg., 14/F, 1328-10, Seocho-dong, Seocho-ku, Seoul, Korea
Tel: +82 2-587-1115
Fax: +82 2-587-1118
<http://www.ushio.co.kr>

USHIO SHANGHAI, INC.

Business activities:

Sale of super high-pressure UV lamps, xenon short-arc lamps, halogen lamps, various exposure systems, optical systems, excimer units, excimer lamps and other products
HSBC Tower, 10/F, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, P.R.C. 200120
Tel: +86 21-6841-1135
Fax: +86 21-6841-1150
<http://www.ushio.com.cn>

USHIO HONG KONG LTD.

Business activities:

Sale of halogen lamps and rare gas fluorescent lamps and units for OA equipment, lamps for projectors and other products
Tower 6, 31/F, Suites 3113-14, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Tel: +852 2756-7880
Fax: +852 2798-9861

USHIO LIGHTING (HONG KONG) CO., LTD.

Business activities:

Sale of plastic factory automation systems and other products
Tower 6, 22/F, Suites 2209-11, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Tel: +852 2305-1802
Fax: +852 2305-1803

Overseas Group Production Companies

August 31, 2007

NORTH AMERICA

USHIO AMERICA, INC.

Business activities:

Sale of super high-pressure UV lamps; development, manufacture and sale of halogen lamps for OA equipment, heater lamps for industry use and other products

• **OREGON OPERATIONS DIVISION**

2050 East Mountainview Drive, Newberg, OR 97132, U.S.A.
Tel: +1 503-538-6515
Fax: +1 503-538-4333

• **IRVINE FACTORY**

14 Mason Avenue, Irvine, CA 92618, U.S.A.
Tel: +1 714-236-8600
Fax: +1 949-472-0159

CHRISTIE DIGITAL SYSTEMS CANADA, INC.

Business activities:

Development and manufacture of digital movie projection systems, monitoring control systems and other products
809 Wellington Street, North Kitchener, Ontario, N2G 4Y7, Canada
Tel: +1 519-744-8005
Fax: +1 519-749-3136

EUROPE

BLV LICHT- UND VAKUUMTECHNIK GmbH

Business activities:

Manufacture and sale of metal halide lamps, halogen lamps and other products
Münchener Strasse 10, 85643 Steinhöring, Germany
Tel: +49 8094-906-0
Fax: +49 8094-906-111
http://www.blv-licht.com

XTREME TECHNOLOGIES GmbH

Business activities:

Research and development, manufacture and sale of EUV source
Hans-Adolf-Krebs-Weg 1, 37077 Göttingen, Germany
Tel: +49 551-82173-100
Fax: +49 551-82073-110
http://www.xtremetec.com

NATRIUM S.A.

Business activities:

Research and development, sale and manufacture of energy-saving light sources such as sodium lamps and other lamps
ul. Grodziska 15, 05-870 Blonie, Poland
Tel: +48 22-7319009
Fax: +48 22-7319005
http://www.natrium.com.pl

ASIA

TAIWAN USHIO LIGHTING, INC.

Business activities:

Manufacture and sale of halogen lamps and metal halide lamps for illumination
#82, Taiho Road, Taiho-Li, Chupei, Hsinchu Hsien, Taiwan, R.O.C.
Tel: +886 3-551-3207
Fax: +886 3-551-4523

USHIO (SUZHOU) CO., LTD.

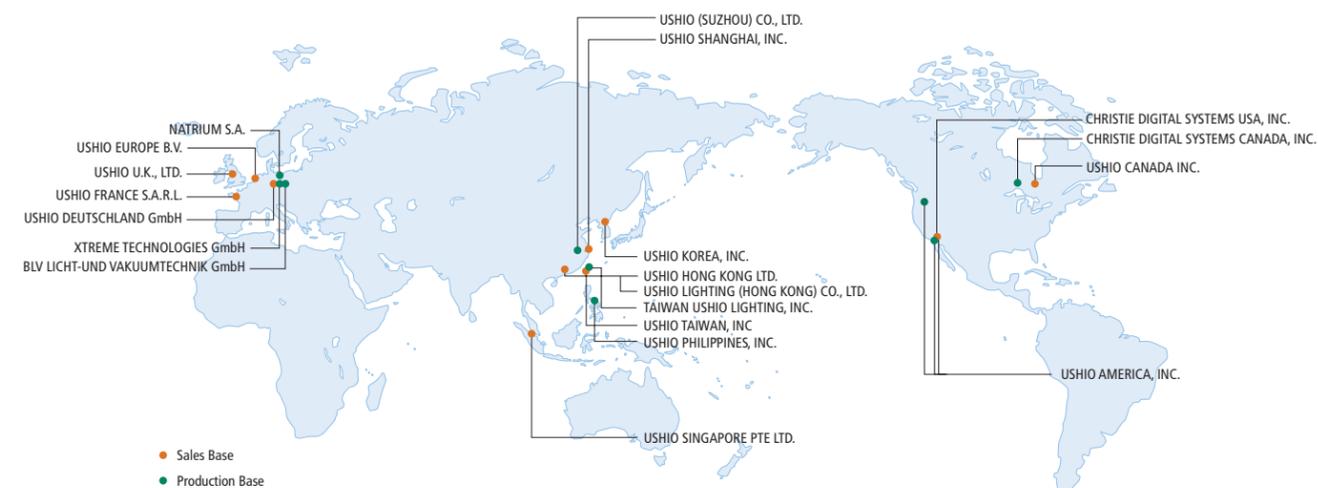
Business activities:

Manufacture of halogen lamps and rare gas fluorescent lamps for OA equipment, lamps for projectors and other products
6, Yuyang Street, Suzhou New District, Suzhou, P.R.C.
Tel: +86 512-6807-6628
Fax: +86 512-6809-9271

USHIO PHILIPPINES, INC.

Business activities:

Manufacture of halogen lamps for illumination and OA equipment and other products
First Cavite Industrial Estate, Barangay Langkaan, Dasmariñas, Cavite, Philippines
Tel: +63 46-402-1422
Fax: +63 46-402-1421
http://www.ushio.com.ph



Investor Information

March 31, 2007

Corporate Data

Company name	USHIO INC.	
Address	2-6-1 Otemachi, Chiyoda-ku, Tokyo 100-8150	
URL	http://www.ushio.co.jp/global	
Establishment	March 1964	
Paid-in capital	¥19,556,326,316	
Common stock	Authorized: 300,000,000 shares Issued: 139,628,721 shares	
Stock listings	Tokyo Stock Exchange and Osaka Securities Exchange, First Section	
Independent accountants	Ernst & Young ShinNihon	
Transfer agent	The Chuo-Mitsui Trust & Banking Co., Ltd.	
Board of directors (As of June 28, 2007)	Chairman and USHIO Group Representative	Jiro Ushio
	Representative Director and Vice Chairman	Akihiro Tanaka
	President and Chief Executive Officer	Shiro Sugata
	Directors and Corporate Executive Vice Presidents	Manabu Goto Tadashi Taki Seiji Oshima Shiro Ushio Ryutaro Tada Hiroaki Banno
	Corporate Auditors	Tadashi Shibuichi Susumu Nakaichi
	Statutory Auditors	Osamu Monoe Shuichi Hattori Koji Aso

Divisions

Head Office

2-6-1 Otemachi, Chiyoda-ku, Tokyo 100-8150
Tel: +81 3-3242-1811
Fax: +81 3-3242-0695

Manufacturing and R&D

Harima Division
1194 Sazuchi, Bessho-cho, Himeji, Hyogo 671-0224
Tel: +81 79-252-4381
Fax: +81 79-253-6262

Yokohama Division

6409 Moto-Ishikawa-cho, Aoba-ku, Yokohama-shi, Kanagawa 225-0004
Tel: +81 45-901-2571
Fax: +81 45-901-1004

Gotemba Division

1-90 Komakado, Gotemba-shi, Shizuoka 412-0038
Tel: +81 550-87-3000
Fax: +81 550-87-3200

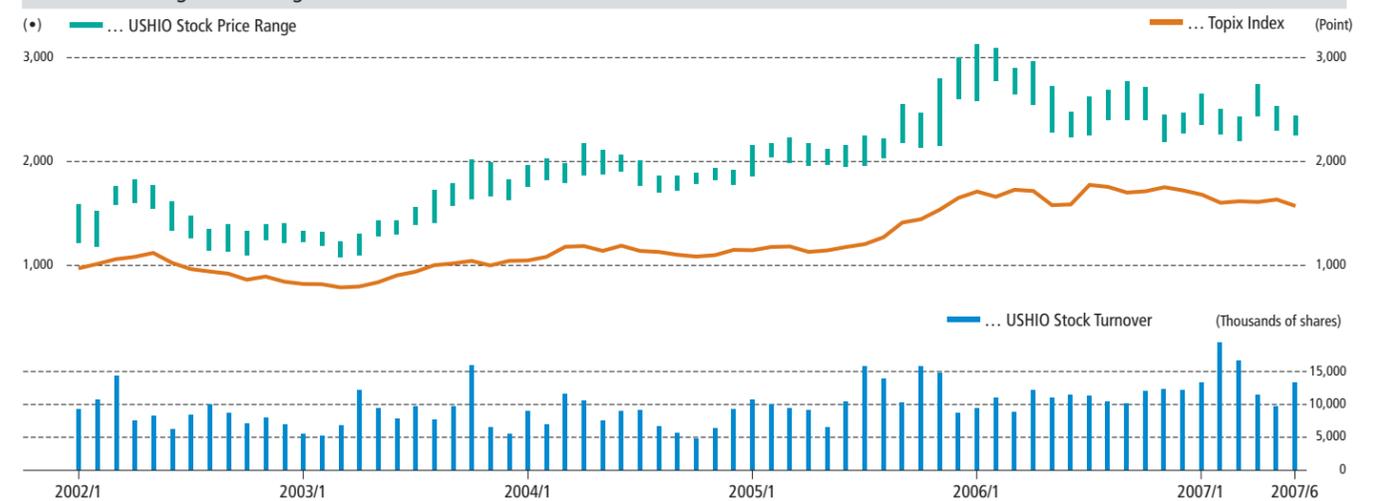
Sales

Tokyo Sales Headquarters
2-6-1 Otemachi, Chiyoda-ku, Tokyo 100-8150
Tel: +81 3-3242-5610
Fax: +81 3-3242-2700

Osaka Branch

Shin-Osaka MT Bldg. 1, 5-13-9 Nishi-Nakajima, Yodogawa-ku, Osaka 532-0011
Tel: +81 6-6306-5711
Fax: +81 6-6306-5718

Stock Price Range and Trading Volume



Lighting Edge Technologies

USHIO

The Things You Can Do with Light!

Sometimes it feels as if technology is moving forward at the speed of light, getting smaller, faster, and more precise every day. Light is helping to solve some of the problems this dizzying pace of change causes. Light—more indispensable than ever. USHIO the light creation company—more promising than ever. Lighting the Way to the Future: USHIO.

For further information on USHIO or our products, please contact the Company's head office or visit our website:
<http://www.ushio.co.jp/global>



Please contact:

IR & Public Relations
USHIO INC.

2-6-1, Otemachi, Chiyoda-ku,
Tokyo 100-8150, Japan
TEL: +81 3-3242-1815 FAX: +81 3-3245-0589