Annual Report 2009

Year ended March 31, 2009

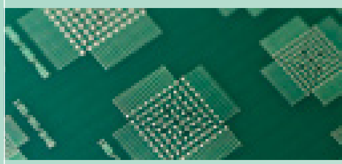
USHIO Lighting—Edge Technologies

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, equipment, and systems as well as "light solutions" through developing new light sources and developing and applying proprietary optical technology.

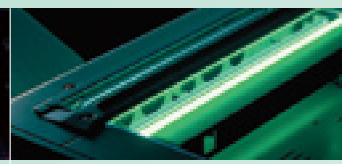
USHIO's light technology is not only for "illumination" but also is widely employed in cutting-edge industrial segments and the science and technology arena as an energy source. In addition to producing countless products that have captured the top global share, we are currently cultivating new business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

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 and its industries and lifestyles.


Electronics


Visual Image Equipment


Office Automation Equipment


Illumination

Contents

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.

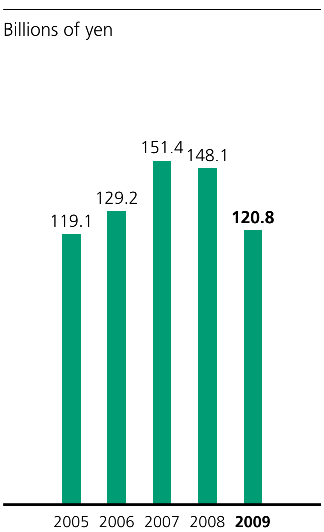
Financial Highlights

USHIO INC. and Subsidiaries
Years ended March 31

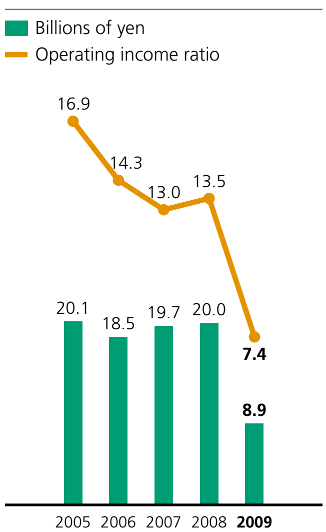
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales	**¥120,846**	¥148,148	¥151,495	**$1,230,242**
Operating income	**8,963**	20,050	19,727	**91,253**
Ordinary income	**9,991**	23,319	25,145	**101,716**
Net income	**3,481**	15,486	16,553	**35,445**
Capital expenditures	**5,415**	7,608	6,748	**55,136**
R&D expenses	**5,877**	5,193	4,884	**59,831**
Depreciation and amortization	**6,280**	5,834	5,179	**63,933**
Gross cash flow	**9,761**	21,320	21,732	**958,915**
Free cash flow	**8,679**	5,196	12,844	**852,494**
Total assets	**184,401**	216,659	237,520	**1,877,238**
Net assets	**145,774**	162,092	170,738	**1,484,016**
Net income per share (yen/dollars)	**25.76**	112.96	120.16	**0.26**

Financial indicators			
Net assets / total assets (%)	**78.5**	74.3	71.5
Net return on equity (%)	**2.3**	9.4	10.3
Net return on total assets (%)	**1.7**	6.8	7.3
Accounts and notes receivable turnover (times)	**3.2**	3.2	3.3
Inventory turnover (times)	**2.9**	2.4	2.2
Average yen/dollar exchange rate	**100.66**	113.80	116.96

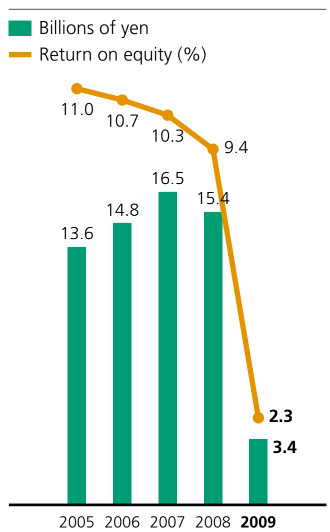
Net Sales



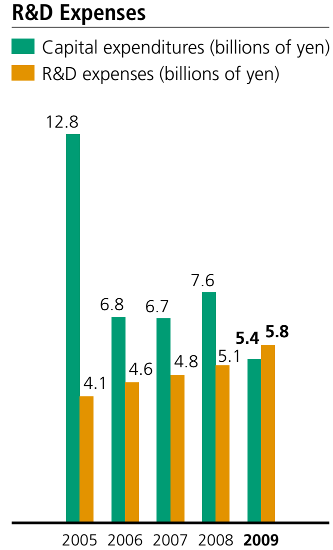
Operating Income



Net Income



Capital Expenditures and R&D Expenses



USHIO remained profitable despite the global economic turmoil in the fiscal year ended March 31, 2009. Underlying that performance were a competitive product portfolio and emergency measures for reducing costs. And the company continued to lay the groundwork for future growth in new lines of business.

Black ink in every main item

We succeeded in keeping USHIO in the black in regard to operating income, ordinary income, and net income. That was despite the appreciation of the yen and the global economic fallout from the Wall Street collapse of autumn 2008. Notwithstanding our success in maintaining profitability, we were unable to avoid declines in sales and operating income in every main product sector and in every main region. Net income declined 77.5%, to ¥3,481 million. That reflected declines of 57.2% in ordinary income, to ¥9,991 million, and 55.3% in operating income, to ¥8,963 million, on an 18.4% decline in net sales, to ¥120,846 million.

In response to the deteriorating business environment, we made sweeping cutbacks in current expenditures and in capital spending. In addition, we lowered our annual dividend ¥4, to ¥20. All members of the board of directors have taken pay cuts to demonstrate good faith as we steer the company through this trying period.

Diverse challenges and opportunities

Liquid crystal displays (LCDs) and semiconductors are among the largest markets for us, and the vitality that had characterized those markets in recent years dissipated in the past fiscal period. Slumping demand for end products necessitated inventory adjustments and production cutbacks for us and other manufacturers of parts and materials. Our shipments of manufacturing equipment and replacement lamps for LCDs and semiconductor devices declined sharply.

Our sales of digital cinema projectors and other large-venue projectors increased amid growing global demand. Stimulating demand were a growing number of 3-D releases by movie distributors and 3-D penetration in markets beyond North America, including Europe, Japan, and other Asian nations. We also benefited from growing demand for large-venue projectors for sites besides movie theaters, such as sports arenas. The market for data projectors shrank for the first time ever, however, as corporate earnings deteriorated and as educational institutions suffered budget cuts, and our sales of lamps for those projectors declined.

A medium-term vision for renewed growth

Capacity utilization rates at manufacturers of liquid crystal panels for large-format televisions turned upward in April 2009. Excess capacity persists, though, in the semiconductor industry. In projection products, replacement lamps for large-venue projectors remain a source of steady revenues, but no signs of recovery are evident in the corporate markets for our data projectors and office automation equipment.

We issued a medium-term vision in April 2009 that provides benchmarks for our measures to achieve renewed growth. A summary of the vision, which covers the three years to March 31, 2012,

USHIO's Vision for the Three Years to March 31, 2012

1. Maintain steady growth in digital cinema products and deploy related technologies in other product sectors
The renewed popularity of 3-D movies in North America promises to stimulate demand in Europe and in Asia. We will nurture business in 3-D cinema products worldwide, promote 3-D products for other applications, and develop business in maintenance and technical support for our entire range of 3-D offerings.

2. Develop business in products and technologies that address concerns about environmental quality
Our technologies position us especially well to contribute to energy conservation, as in LED alternatives to incandescent and fluorescent illumination.

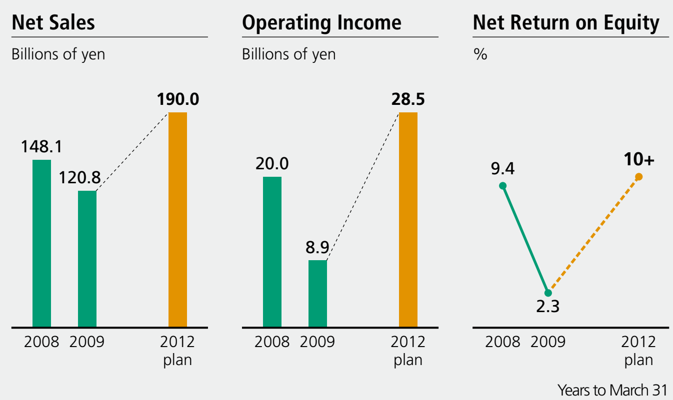
3. Develop business in solid-state light sources
We will develop business aggressively in solid-state light sources, including lasers and LEDs, by appealing to customers with a comprehensive range of product specifications.

4. Maximize our growth potential through strategic alliances, joint ventures, and mergers and acquisitions
Strategic alliances, joint ventures, and mergers and acquisitions have long been part of our growth strategy. The economic downturn presents opportunities to secure businesses and technologies on favorable terms, and we will step up our activity in reaching outside our company to secure useful assets.

5. Strengthen our market position in advanced exposure products
We will focus on extreme UV wavelengths with an eye to putting new-generation products into mass production within a few years. Leading our development effort in this sector will be XTREME technologies GmbH, a former joint venture in Germany that we acquired outright in 2008.

6. Deploy products and technologies that contribute to advances in LCDs, semiconductors, and fine printed circuitry
Our efforts will include developing new solutions by combining our strengths in light sources and in related equipment.

7. Expand our business in new product sectors while reinforcing the competitiveness of established products
We will work to expand our presence in the medical sector, for example, by building on footholds in blood analyzers and in UV therapeutic equipment. We will also continue working to strengthen our market position in established products.



appears at the top of this page. We will continue to foster future growth by allocating ample funding to R&D programs and to human resources development, even as we curtail overall spending. We will also continue to fortify our product portfolio to serve increasingly diverse demand in markets around the world. And we will press ahead with cost reductions, with quality improvements, and with productivity gains in all our operations. Expansion will continue in our production and our sales-and-service networks as we promote our light sources, optical equipment, and imaging equipment to a growing range of customers worldwide.

New units to coordinate Asian marketing and new-business development

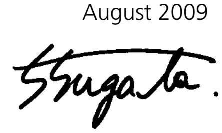
Eyeing synergies among product lines, we shifted our sales organization to a by-region footing, from a by-product footing, in April 2009. We accompanied that shift with the establishment of two cross-divisional offices to coordinate pan-Asian marketing and new-business development. Both of the new units answer directly to me. The Asian Marketing Office will provide strategic support for our sales activities in China and other fast-growing markets in the region. The New Business Development Office, meanwhile, will tackle its mandate from multiple directions, including product development, strategic alliances, and mergers and acquisitions.

A lasting commitment to serving our stakeholders

Fulfilling the highest expectations of our stakeholders remains our top priority at USHIO. That means minimizing our environmental footprint by adopting products and processes for conserving energy and material resources, by minimizing output of industrial waste, and by using recycled material and designing products to facilitate recycling. It means putting in place frameworks for carrying out sound corporate governance and for enforcing compliance with exacting standards of ethical corporate behavior.

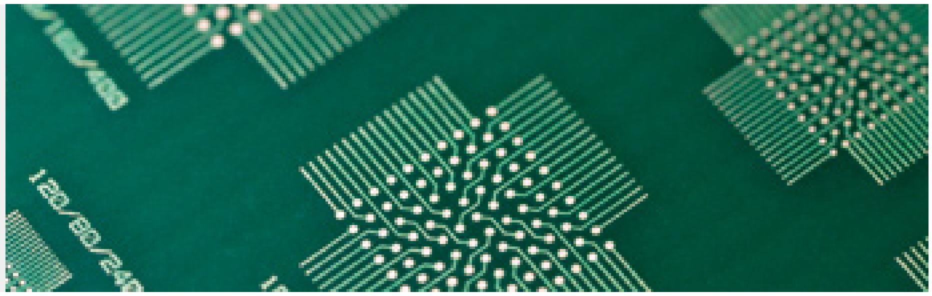
Addressing stakeholder expectations also means conducting rigorous risk management to help ensure our lasting viability as a global enterprise. And it means working to earn a sound valuation for the USHIO share through shareholder-oriented management, including timely repurchases of shares. Grateful for your support, we will spare no effort in tackling those and other responsibilities in stakeholder-oriented management.

August 2009



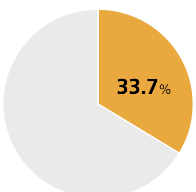
Shiro Sugata
President and CEO

Electronics



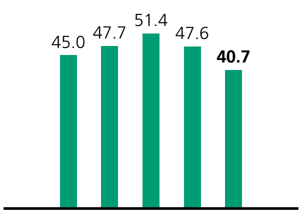
Percent of Net Sales

Year to March 31, 2009



Sales

Billions of yen



Principal Subsidiaries

GIGAPHOTON INC.
XTREME technologies GmbH

Declining replacement demand amid slumping capacity utilization rates in the LCD and semiconductor industries

Sales in this product sector suffered especially from a precipitous decline in demand for our replacement lamps and equipment for LCD and semiconductor manufacturing. Consumer spending weakened greatly in the second half of the past fiscal year in Japan, and sales of LCD televisions slowed. Prices fell, and manufacturers of LCD panels cut back production an scrambled to reduce inventories.

Demand for our replacement lamps and manufacturing equipment also declined in the semiconductor industry. Prices for DRAM and for flash memories stagnated, capacity utilization rates slumped, and manufacturers deferred new capital spending. Our business also declined in KrF and ArF excimer lasers for exposure systems, which we supply through our subsidiary GIGAPHOTON INC.

Capacity utilization rates turned upward at manufacturers of LCD panels in April 2009, and that engenders cautious optimism. The continuing excess in supply capacity precludes hope, however, for a quick recovery.

Insight

A cost-saving alternative to lasers in R&D on photolithographic resists

We have begun marketing the world's first ArF excimer lamps that emit monochrome light at the same wavelength, 193 nm, as ArF excimer lasers. Manufacturers are racing to develop photolithographic resists and other materials for achieving line widths of 32 nm in next-generation semiconductor circuitry. Our new lamps eliminate the need for using expensive lasers in that R&D work. They therefore reduce costs and enhance flexibility in R&D programs.

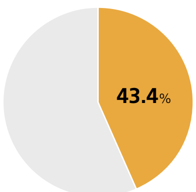
USHIO ArF excimer lamps are a cost-saving alternative to ArF excimer lasers.

In the photo is an exposure unit fitted with an ArF excimer lamp.

Visual Image Equipment

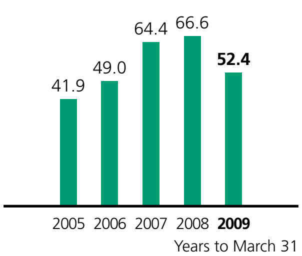
Percent of Net Sales

Year to March 31, 2009



Sales

Billions of yen



Principal Subsidiaries

CHRISTIE DIGITAL SYSTEMS U.S.A., INC. (including Japan branch)

CHRISTIE DIGITAL SYSTEMS CANADA, INC.

XEBEX INC.

Solid growth in digital cinema projectors and replacement lamps

Our business in digital cinema projectors (DCP) and in replacement lamps for those projectors bucked the overall market downturn. We posted 8.4% growth in sales of DCP, to 1,880 units. That was despite a delay in rolling out our sales-promotion program in North America.

We also posted strong growth in sales of replacement lamps for digital cinema projectors. That growth benefited from the unit sales increase in projectors and from the market penetration by 3-D cinema systems beyond the North American market, in Europe and Asia. Most of the unit sales growth in digital cinema projectors, however, was in small and medium-sized products, and the appreciation of the yen transformed the unit growth into a decline in yen-denominated sales.

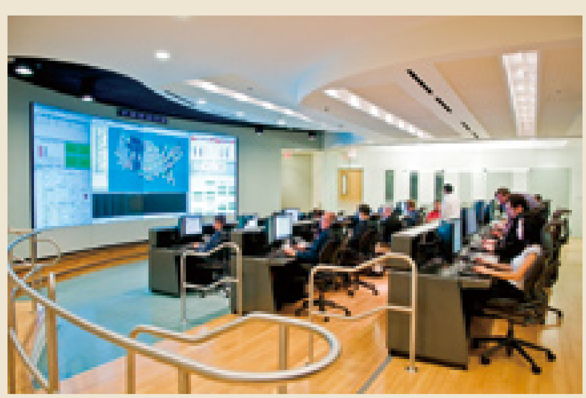
Unit sales were also generally solid in non-cinema projectors. They were lower than our sales target, though, on account of the adverse economic environment.

In other news, we expanded our capacity for 24-hour monitoring of the operation of large projectors at U.S. and Canadian theaters (see description below). Demand for lamps for data projectors shrank, meanwhile, as market conditions worsened in the second half of the fiscal year and as price competition undercut prices.

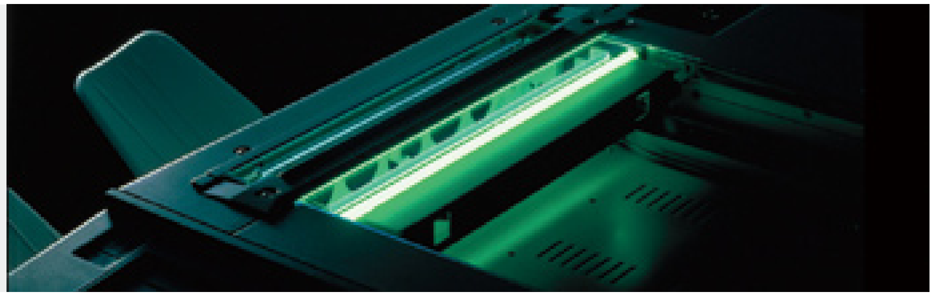
Insight

A new network operation center at CHRISTIE DIGITAL SYSTEMS U.S.A.

Our subsidiary CHRISTIE DIGITAL SYSTEMS U.S.A., INC., opened an expanded network operation center at its Cypress, California, office in spring 2009. The center monitors the operation of some 8,700 screens all across North America 24 hours a day, 365 days a year. Its control room doubles as a demonstration site for our state-of-the-art equipment.

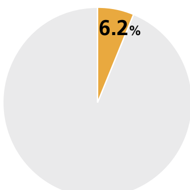


Office Automation Equipment



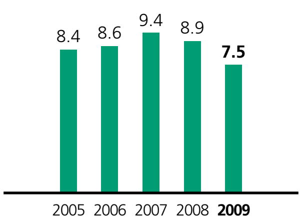
Percent of Net Sales

Year to March 31, 2009



Sales

Billions of yen



Years to March 31

Principal Subsidiaries

USHIO HONG KONG LTD.
USHIO (SUZHOU) CO., LTD.

Weakening sales in lamps for office automation equipment

USHIO light sources render service in printers, copy machines, and other office automation equipment. Demand in this sector has traditionally been largely immune to economic downturns. It weakened greatly in the second half of the past fiscal year, however, amid the severe global economic downturn, and our sales of lamps suffered as a result.

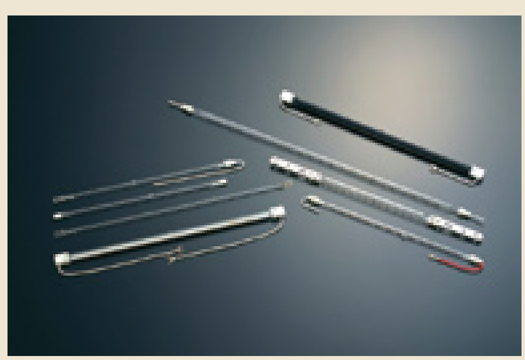
Energy savings are an overriding theme in product development in office automation equipment. USHIO is an industry leader in reducing power consumption in lamps even while shortening lamp response time. We supply scanning lamps, for example, to every principal manufacturer of copy machines and scanners, and our market share in those lamps is about 65%.

Our R&D programs continue to yield new advances in reducing power consumption in products of ever greater added value. They also continue to reduce the environmental impact of our office automation products in other ways.

Insight

A 15% increase in thermal efficiency in high-performance toner-fixing lamps

We achieved large energy savings in toner-fixing lamps in 2007. Our breakthrough technology reduced power consumption 15% in high-performance halogen heater lamps, and it has attracted a large volume of orders from manufacturers of printers and copy machines. Raising the lamps' thermal efficiency has shortened the time required to heat the roller surfaces to the appropriate temperature. It has thereby reduced waiting time for users.

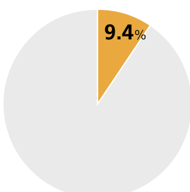


An USHIO breakthrough in thermal efficiency in halogen heater lamps has improved performance greatly in printers and in copy machines.

Illumination

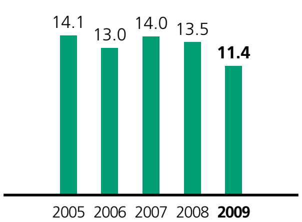
Percent of Net Sales

Year to March 31, 2009



Sales

Billions of yen



Years to March 31

Principal Subsidiaries

USHIO LIGHTING, INC.
USHIO SPAX, INC.

Products for conserving energy and for reducing environmental impact

Our products in illumination fixtures and light sources include halogen lamps for retail establishments and xenon lamps for television studios and theatrical stages. Sales in this product sector declined overall in the fiscal year to March 31, 2009, amid the general economic contraction. But excellent market receptions for newly launched products designed to conserve energy and to reduce environmental impact bode well for future growth.

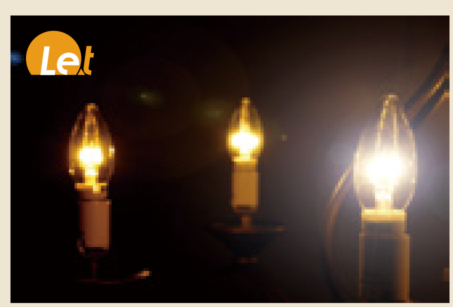
We were especially successful with our new line of energy-saving LED-filament lightbulbs (see description below). Also successful were our energy-saving metal halide lamps for attracting fish in commercial night fishing. The energy efficiency of our fishing lamps, used to catch Pacific saury, received awards from Japan's Ministry of the Environment and Ministry of Agriculture, Forestry and Fisheries.

Insight

LED-filament lightbulbs

Let is the brand name for our new line of LED-filament lightbulbs, and those products let users reduce their electricity consumption nearly 90%. Our Let bulbs screw into sockets for conventional incandescent lightbulbs for decorative lighting. There, they furnish decorative illumination comparable to that with conventional 10 W bulbs.

In our comparative testing with 5 W incandescent bulbs, Let bulbs consume 89% less electricity and last 10 times longer. The energy savings mean less consumption of energy resources, less output of the greenhouse gas carbon dioxide, and lower electricity bills. The long life span, meanwhile, reduces material consumption and reduces the volume of used lamps that require handling as waste.



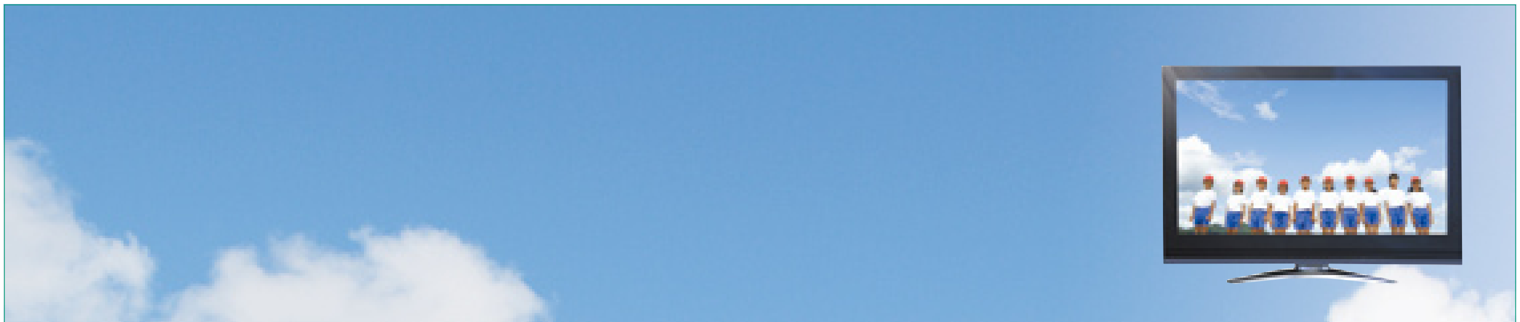
Let LED-filament lightbulbs evoke the warmth of incandescent lighting while providing the energy and material savings of LEDs.

Lining Things Up with Light

USHIO's photo-alignment technology reduces electric power consumption, improves quality, and lowers costs in LCDs

Thin-Panel Displays for Televisions, for Computers, for Cell Phones

The LCDs that are multiplying around us use light in remarkable ways. USHIO technologies help make the most of light's ever-amazing properties in LCDs. That includes reducing power consumption and improving image quality. The company is especially strong in UV polarization and in optical exposure. It has built on those strengths and on original advances in backlights, optical design, precision transmission, and photo-alignment in recent breakthroughs in processing for the alignment film used in LCDs. Those breakthroughs are part of the foundation for the next generation of LCDs.



1. Light as waves

Shaking a rope fixed at one end creates a wave pattern (fig. 1a). We can move the wave pattern through different planes by changing the angle at which we shake the rope (figs. 1b and 1c).

Light waves behave like the waves in the rope. Ordinary light comprises waves vibrating in countless planes. That kind of light is too unmanageable to use in LCDs. So LCD manufacturers design their displays to extract light that vibrates in a single plane—polarized light—and use that light to control the imaging process.

2. To transmit or not to transmit

Manufacturers of LCDs use polarizing filters to create the polarized light. Each LCD contains two of those filters. Only light whose vibrating direction matches the orientation of the polarizing filter can pass through. This is the same principle employed in polarized sunglasses.

Arranging two polarizing filters in the same direction allows light to pass through both filters (fig. 2). Arranging the filters at 90° variance from each other prevents any light from passing all the way through (fig. 3). Using polarization in that manner to transmit or block light is fundamental to LCDs.

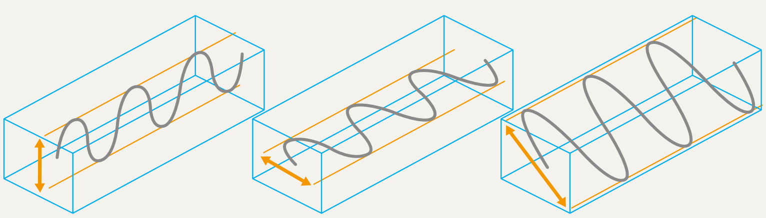


Fig. 1a Fig. 1b Fig. 1c

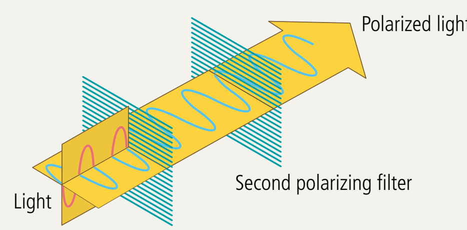


Fig. 2

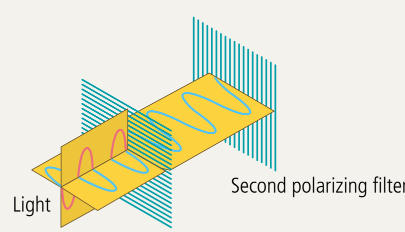


Fig. 3

3. In parallel with liquid crystal molecules

Between the two polarizing filters in an LCD is a layer of liquid crystal. Light tends to proceed in parallel with the directional orientation of the liquid crystal molecules. The light that passes through the first polarizing filter enters the layer of liquid crystal. Changing the orientation of the liquid crystal molecules by applying a voltage causes the light to change direction.

The liquid crystal molecules in a notebook computer screen, with no voltage applied, have a 90% twist. That configuration twists the incoming light 90% and allows it to pass through the second polarizing filter.

Applying a voltage straightens the liquid crystal molecules, and they no longer twist the light. The light cannot pass through the second polarizing filter, and the display darkens.

Using color filters can produce the additive primary colors red, green, and blue. Combining those colors can produce full-color display images.

4. The arrangement of the molecules

For molecules of liquid crystals to function as a voltage-actuated shutter, they need to have a common directional orientation. The liquid crystal molecules readily assume a crystal-like orientation in response to external stimuli, but the molecules assume a haphazard pattern of directions if left alone. In an LCD, the alignment film fulfills the function of organizing the liquid crystal molecules in the required direction. Preparing that film is a crucial step in LCD manufacturing.

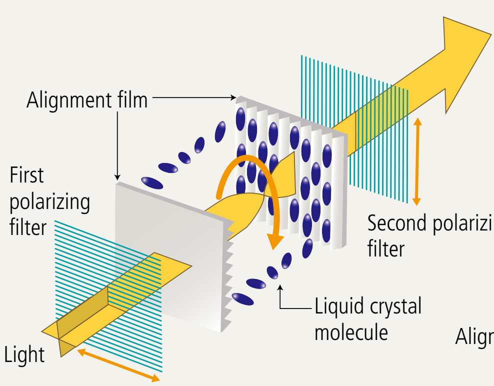


Fig. 4 Light passes through, and the display brightens.

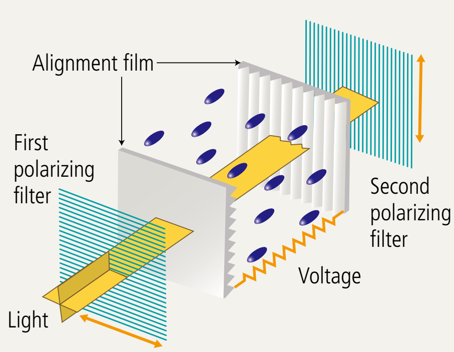


Fig. 5 Light doesn't pass through, and the display darkens.

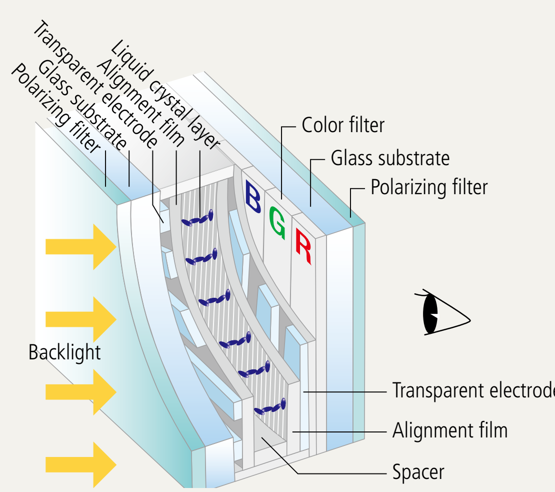


Fig. 6

5. Conventional alignment processing

Manufacturers of LCD televisions use two kinds of processing to create the film surface used to align the molecules of liquid crystal: rubbing with fine fabric to give the film surface a directional orientation (fig. 7) and forming structural projections atop the surface of the film (fig. 8). Both methods entail problems in regard to yields, cost, environmental impact, and image quality.

6. A new approach to photo-alignment

Researchers and engineers at USHIO have developed optical alternatives to the conventional mechanical and structural methods of aligning the molecules of liquid crystal. Each of the conventional methods has evolved in the context of a different kind of LCD production sequence. So we have adapted our alternative technology to each kind of sequence. Our technology resolves the drawbacks of both conventional methods. It supports advances in reducing electric power consumption, in improving image quality, and in reducing cost.

We have developed UV curing technology that allows for applying a directional orientation to the alignment film without touching the film. The absence of direct contact eliminates the problems of dust particles and static electricity. Image quality improves, and subsequent cleansing becomes unnecessary, which lowers processing costs.

Similarly, we have developed an optical-exposure alternative to structural members for aligning the molecules of liquid crystal. That lowers processing costs by eliminating the need for structural forming. It also improves optical contrast, speeds the responsiveness of the liquid crystal molecules, and raises the transmission rate for the light from the backlight. Using the backlight output more efficiently allows for a reduction of about 10% in electric power consumption.

A. Directional orientation applied with fine fabric aligns the liquid crystal molecules

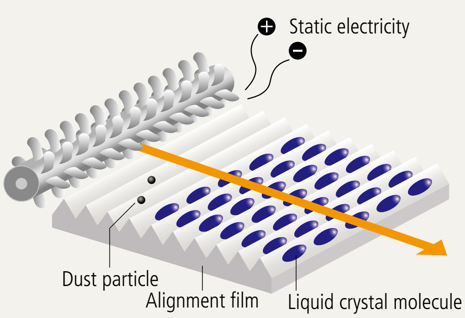


Fig. 7 Static electricity and dust particles reduce yields. The high cost of the fabric used to rub the alignment film and the need for replacing that fabric frequently raise costs and lengthen lead times.

B. Structural members align the liquid crystal molecules

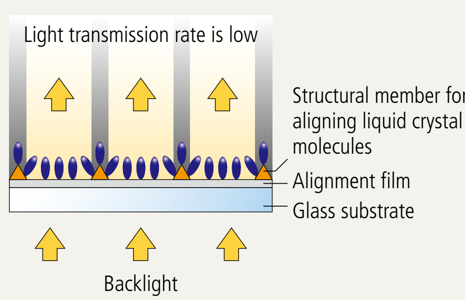


Fig. 8 The structure curtails the light transmission rate. And inconsistently aligned liquid crystal molecules dull the response time.

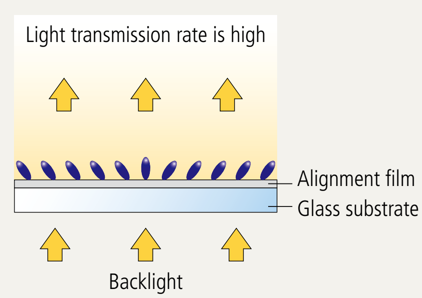


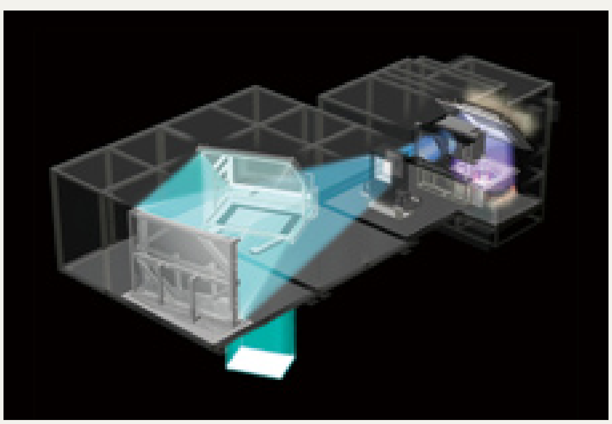
Fig. 9

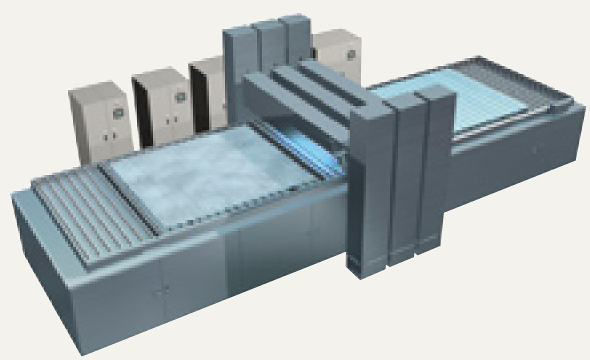
7. Less electricity, higher resolution, lower cost

Television manufacturers are moving quickly in R&D to stake out positions in the hugely promising market for high-performance LCD televisions. The chief competitive criteria in that market are electric power consumption, image quality, and cost, and our photo-alignment technology is invaluable in addressing all three of those criteria.

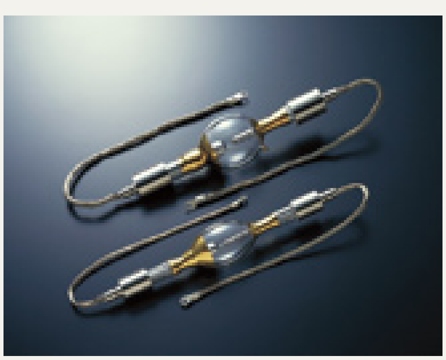
Less than 10% of the light for backlights in present-day LCD televisions reaches the front surface of the displays. Our photo-alignment technology will help raise that transmission rate and will thereby contribute to reductions in electric power consumption, to improvements in image quality, and to reductions in cost. USHIO technology will be more indispensable than ever in the next generation of LCD televisions.

Conceptual rendering of photo-alignment processing system and of lamp used in that system

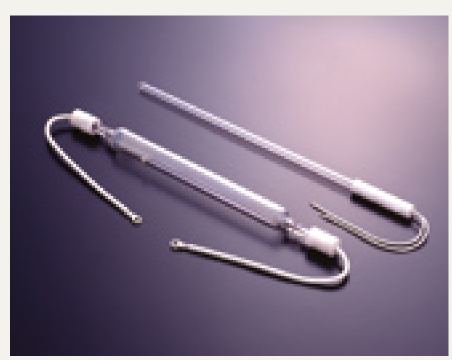




Deep UV lamp

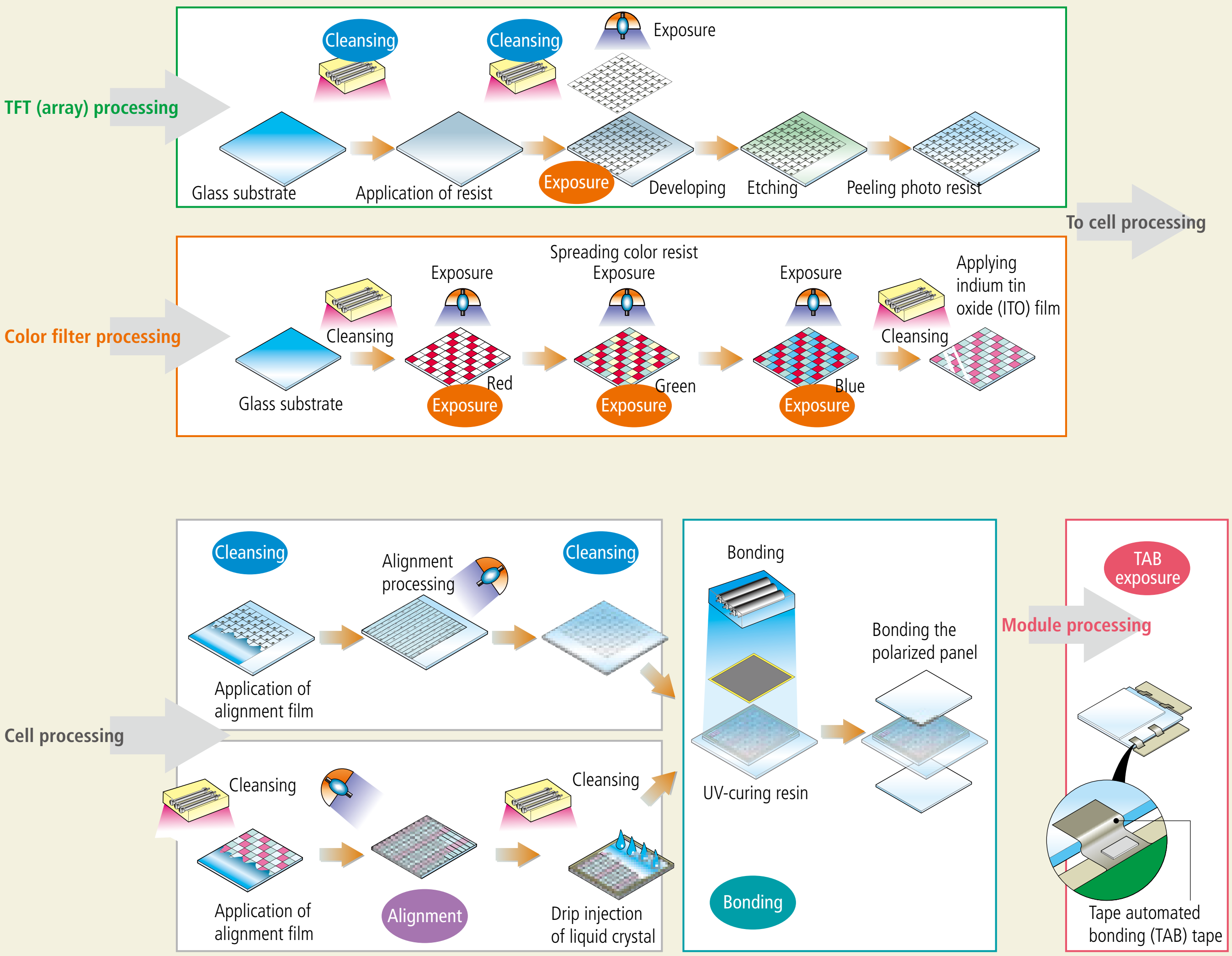


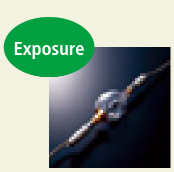
Metal halide lamp



Other Applications for USHIO Technology in LCD Manufacturing

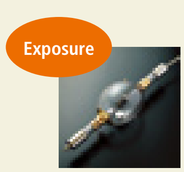
USHIO technology renders service in LCD manufacturing in important applications besides alignment processing for the alignment film. The company supplies exposure lamps for manufacturing thin film transistors (TFT) and color filters, for example, and it supplies optical products used in cleaning and laminating the substrates. In those and other ways, USHIO technology supports progress toward larger, higher-precision panels and toward higher-efficiency manufacturing. And it has the largest market share, by far, in its principal product categories in the LCD sector.





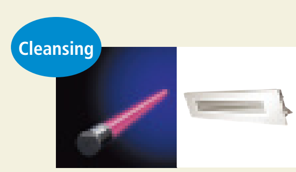
TFT (array) processing

UV exposure lamps for TFT circuits
USHIO's market share: **80**%



Color filter processing

UV exposure lamps for color filters
USHIO's market share: **80**%

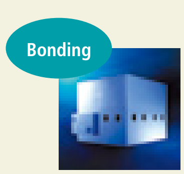


Substrate cleansing

Excimer lamps (left) and excimer irradiation units (right)
USHIO's market share: **90**%

Photo-alignment

Photo-alignment systems



Panel bonding

UV irradiation systems for drip method panel bonding
USHIO's market share: **70**%

Module processing

TAB exposure systems (left)
USHIO's market share: **100**%

Basic policy at USHIO centers on maximizing transparency and efficiency in management and on maximizing corporate value in ways that fulfill the highest expectations of our stakeholders. Japan has enacted legislation similar to the U.S. Public Company Accounting Reform and Investor Protection Act of 2002, commonly known as the Sarbanes-Oxley Act. And we have established internal-control mechanisms to help ensure compliance with that legislation and with other laws and regulations.

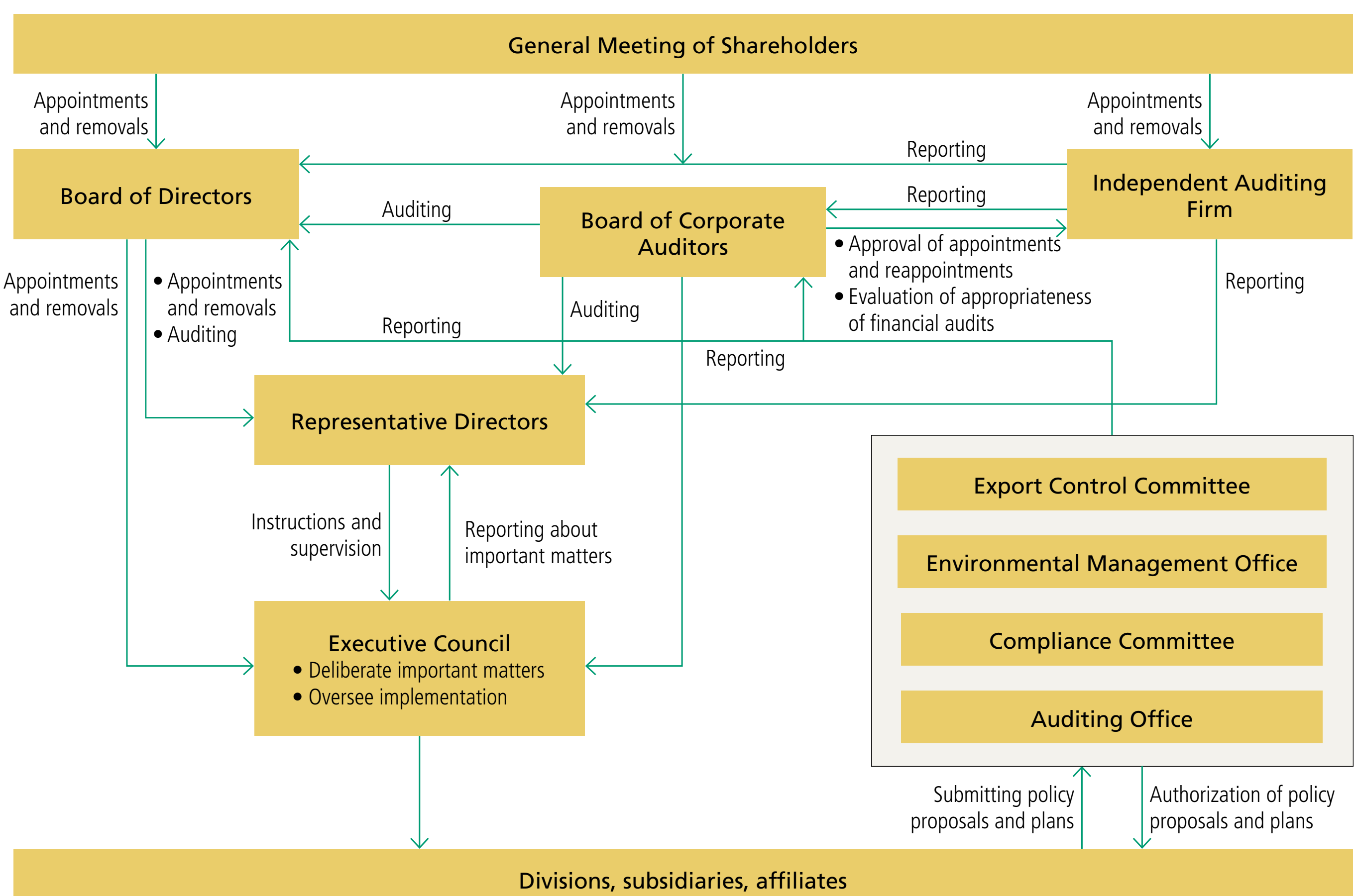
Organization

The Board of Directors decides important matters in regard to corporate policy and monitors the company's progress in carrying out its decisions. Heading the Board of Directors and holding overall authority for supervising operations are the representative directors. The Board of Directors convenes monthly for regular meetings and holds meetings at other times as necessary.

Overall responsibility for the auditing function at USHIO resides with the Board of Corporate Auditors. That group comprises five members, three of whom are from outside the company. Each corporate auditor is responsible for a designated range of oversight.

We also maintain the Executive Council at the parent company, which comprises senior members of the Board of Directors; the Group Coordination Council, which comprises executives from the parent company and from subsidiaries and affiliates; and group officers, who fulfill management functions that span the parent company and its subsidiaries and affiliates. In addition, we have established a system of corporate officers to clarify responsibility for management and performance. That has increased our responsiveness in carrying out the decisions made by the Board of Directors under the leadership of the representative directors.

USHIO's Internal-Control Framework



Corporate ethics and internal controls

We have established action guidelines to help ensure that all our employees comply with laws and regulations, with our corporate charter, and with our management philosophy. In addition, we maintain the Compliance Committee to oversee our performance in complying with rigorous standards of corporate ethics. Working closely with the Compliance Committee in overseeing our framework for ensuring ethical corporate behavior is our Auditing Office. That office submits reports periodically to the Board of Directors about its activities and findings. Based on those reports, the Board of Directors reports to the Board of Corporate Auditors about the company's progress in implementing the internal auditing function.

Risk management is another important emphasis at USHIO. Each operational unit establishes rules and guidelines, conducts employee training, and distributes employee manuals in support of risk management in regard to corporate ethics, environmental protection, product quality, financial position, legal regulations, safety, confidentiality, exports, and other matters.

Internal auditing

Our internal auditing office reports directly to the president and audits activity at the parent company and at its subsidiaries and affiliates in support of sound, sustainable corporate growth. In the past fiscal year, the office conducted audits of four USHIO companies in Japan and one overseas. It conducted the audits in regard to compliance with legal regulations in exports, adherence to internal capital-efficiency guidelines in capital spending, risk management, raw-material inventory management, product inventory management, management of delinquent sales receivables, and other phases of management. Based on those audits, the office issued directives for improvements and monitored the companies' implementation of those directives.

We augmented our internal Auditing Office in the past fiscal year with a group for overseeing our internal-control system for financial reporting. The new group monitors the implementation of that system from the standpoint of ensuring the integrity of our financial reporting, makes proposals for increasing the effectiveness of internal-control mechanisms, and issues directives for improvements as necessary. It submits reports about its activities periodically to the president, to other directors responsible for pertinent functions, and to our corporate auditors.

Export regulations

Abiding by legal regulations in regard to exports is part of our commitment to corporate ethics, and a committee that comprises managers from pertinent divisions oversees our performance in that regard. In the past fiscal year, we established an integrated framework for ensuring compliance with export regulations. Managers from our operations throughout Japan began meeting monthly in May 2008 to share information about issues of common concern and to work out measures for addressing those issues. Additional initiatives for ensuring rigorous compliance with export regulations are under study.

Hotline

We support our commitment to ethical corporate behavior with a telephone hotline that we have operated in Japan since October 2006. Employees can use the hotline anonymously to report and discuss possible infractions of legal regulations or of our internal guidelines for corporate ethics.

Employee training

Every employee at USHIO undergoes a training program on being hired, either on graduating from university, technical school, or high school or in midcareer, and on receiving an assignment to a new post. That training includes an emphasis on concrete aspects of complying with our guidelines for corporate ethics. In addition, we distribute our 10 Action Guidelines (page 16), which include items that pertain to corporate ethics, to all our employees.

Information security

We are alert to the importance of safeguarding the confidentiality of information that we handle in our business activities. That includes information about corporate customers, about individuals, and about our operations. In addition to abiding by legal regulations in regard to handling personal information, we establish and abide carefully by independent guidelines for ensuring confidentiality.

Each operating unit at USHIO works to raise employee awareness of the importance of safeguarding information, to achieve unfailing compliance with our confidentiality guidelines, and to monitor its performance and make continuing improvements in that regard. We accompany our measures for ensuring the security of information at the parent company with similar measures at our subsidiaries and affiliates.

Sustainability

We have articulated our management philosophy in four key emphases, as summarized below. Those emphases are the basis for all our measures for shaping our behavior as a corporation and as individual employees.

USHIO GROUP
MANAGEMENT PHILOSOPHY

①
Build both a prosperous Company
and prosperous employees.

②
Deliver products and services
that are competitive in the global market.

③
Contribute to society through superior products
and innovative research and development.

④
Expand profits, corporate responsibility, and competitiveness
through open and free-thinking business operations.

10 Action Guidelines

To translate our management philosophy into concrete action, we abide by the 10 action guidelines listed below. These guidelines shape the goals and behavior of every USHIO employee.

10 Action Guidelines

Chapter 1

We shall aim to be a company that accepts diverse individual qualities and values and where people work together and pursue self-learning and self-improvement.

Chapter 2

We shall strive for the company's sustainable growth through our innovative, proactive and prompt management.

Chapter 3

We shall respect the basic human rights of all individuals and endeavor to create bright, safe and pleasant working environment.

Chapter 4

We shall provide high-quality, safe products and services at appropriate prices and carry out fair and equitable business transactions.

Chapter 5

We shall work to earn the understanding and trust of society.

Chapter 6

We shall comply with laws and regulations and carry out fair business activities in accordance with socially accepted practices.

Chapter 7

We shall fulfill our duties to the best of our abilities in conformity with internal regulations and standards.

Chapter 8

We shall promote environmental protection and the efficient use of resources.

Chapter 9

We shall carry out proactive public relations activities while respecting the value of information and intellectual property rights of third parties.

Chapter 10

We shall contribute to the development of respective regions where we conduct business as a member of the international community.

Environmental protection

We regard achieving symbiosis with the global environment as a top priority for corporations, and we therefore strive to promote sustainability throughout our business. Below is a summary of the guidelines that we have adopted to steer our efforts.

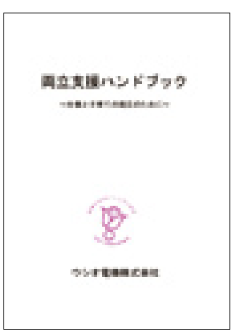
Action guidelines

1. We will make every effort to achieve our own environmental protection goals, in compliance with the laws, regulations and environmental rules both in Japan and abroad.
2. We will endeavor to reduce waste and the use of hazardous substances, and to recycle and save resources and energy to reduce environmental impact in all fields of business.
3. We will continue to work on the development and supply of environmentally conscious "Lighting-edge Technologies and Products."
4. We will strive to prevent environmental risks, such as contamination of natural resources by chemicals or waste.
5. We will improve environmental management system continuously through the regular audit of environmental protection activities.
6. We will provide public information on our environmental protection activities and make every effort to enhance the quality of that information based on close communication and mutual understanding.
7. Every employee of USHIO will contribute to realize a recycling-based society through the awareness of each individual's role in protecting the environment.

Recent highlights in promoting sustainability at USHIO

Harmonizing work and home life

We go beyond legal requirements in providing employees with time off from work for child care and other family duties. In March 2009, we issued a handbook that details employee procedures for requesting time off for pregnancy and for child care and that details managers' responsibilities for accommodating such requests. That is part of our commitment to creating a sound working environment.



The USHIO handbook for pregnancy and child care

The United Way

The USHIO subsidiary Christie Digital Systems Canada and its employees take part in raising funds for the United Way, an umbrella organization for several worthy causes. They raised C$60,000 (about US$50,000) during the week of October 20, 2008.

Social responsibility investment index

Our commitment to socially responsible corporate behavior has earned high regard from United Kingdom–based FTSE International Limited. That company is a world leader in compiling indexes of equities, bonds, and other assets, and it included USHIO in its FTSE4Good Index of socially attuned companies. Our environmental commitment earned us a place in an investment fund compiled by Sompo Japan Asset Management Co., Ltd.

Our certificate of inclusion in the FTSE4Good Index

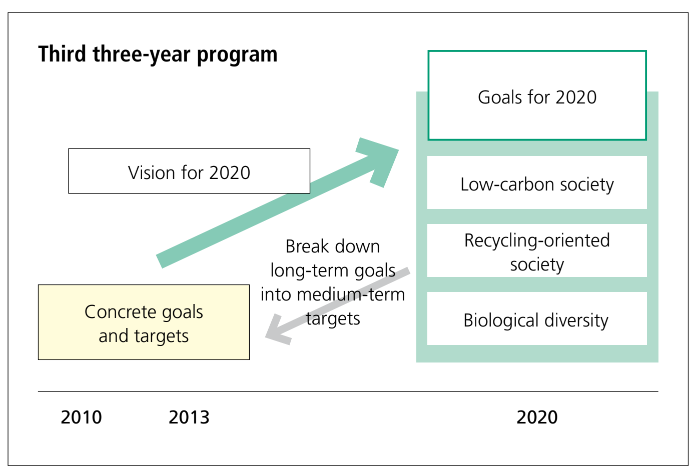
2020 Environmental Vision

We issued a set of goals recently for reducing our environmental impact by 2020. Those goals are an extension of the targets we set earlier for 2010, and they represent a stepped-up commitment to contributing to the creation of a low-carbon society, to promoting social sustainability in other ways, and to preserving biological diversity. We have incorporated those goals in our third three-year environmental action plan, which covers the period from 2011 to 2013.

USHIO's 2020 Environmental Vision

Through Lighting-Edge Technologies, we will contribute to:

- Creation of a low-carbon society
- Conservation of resources
- Preservation of biodiversity



Board of Directors
As of June 26, 2009

Directors


Jiro Ushio
Chairman and USHIO Group Representative


Shiro Sugata
President and Chief Executive Officer


Manabu Goto
Director


Seiji Oshima
Director


Tadashi Taki
Director


Shiro Ushio
Director


Ryutaro Tada
Director


Hiroaki Banno
Director


Akihiro Tanaka
Director and Senior Adviser

Statutory Auditors

Standing auditors
Susumu Nakaichi
Osamu Monoe
Shigeki Nakayama

Auditors from outside the company
Shuichi Hattori
Koji Aso

Financial Section

Contents

11-Year Summary of Consolidated Financial Data

USHIO INC. and Subsidiaries
Years ended March 31

	1999	2000	2001	2002
FOR THE YEAR:				
Net sales	¥ 69,215	¥ 73,109	¥ 89,137	¥ 81,301
Overseas sales	—	—	37,243	36,763
North America	—	—	16,921	16,148
Europe	—	—	6,306	6,894
Asia	—	—	12,308	11,676
Other areas	—	—	1,706	2,044
Net income	5,454	6,525	8,464	1,643
Capital expenditures	4,611	2,026	4,961	4,837
Depreciation and amortization	2,778	2,675	2,603	2,816
R&D expenses	2,329	3,826	3,683	3,557
AT YEAR-END:				
Total assets	111,079	121,230	137,758	149,669
Net assets	81,301	87,566	93,261	106,838
CASH FLOWS:				
Net cash provided by operating activities	—	4,695	12,332	7,305
Net cash used in investing activities	—	343	(5,659)	(7,496)
Net cash used in financing activities	—	(1,028)	(1,492)	(2,112)
Free cash flows	—	4,352	17,991	(191)
PER SHARE OF COMMON STOCK (Yen):				
Net income	¥ 39.06	¥ 46.73	¥ 60.62	¥ 11.77
Cash dividends	11.00	12.00	15.00	13.00
Net assets	585.28	627.17	667.93	765.32
KEY FINANCIAL RATIOS:				
Return on equity (%)	6.9	7.7	3.4	1.6
Return on assets (%)	4.9	5.6	6.5	1.1
Asset turnover (times)	0.63	0.63	0.69	0.57
Return on sales (%)	7.9	8.9	9.5	2.0
Operating margin (%)	13.1	12.5	17.2	12.0
Employees (number)	—	3,195	3,394	3,706
Net sales per employee	—	22.9	26.3	21.9

Note: Return on equity = Net income / Average shareholders' equity × 100
Return on assets = Net income / Average total assets × 100
Asset turnover = Net sales / Average total assets
Return on sales = Net income / Net sales × 100
Operating margin = Operating income / Net sales × 100
Employees = Total of USHIO INC. and its 40 consolidated subsidiaries.

Millions of yen

	2003	2004	2005	2006	2007	2008	**2009**
	¥ 91,937	¥ 99,081	¥119,159	¥129,284	¥151,495	¥148,148	**¥120,846**
	45,347	48,855	62,176	72,688	93,847	96,449	**78,168**
	19,980	19,514	20,634	29,874	44,135	39,271	**27,652**
	7,583	7,633	8,420	10,295	13,187	14,731	**14,209**
	16,495	20,517	31,859	31,860	35,754	41,329	**34,517**
	1,289	1,189	1,260	656	769	1,117	**1,789**
	4,651	9,346	13,634	14,895	16,553	15,486	**3,481**
	2,693	5,376	12,837	6,810	6,748	7,608	**5,415**
	2,889	2,748	3,014	4,763	5,179	5,834	**6,280**
	3,355	3,358	4,174	4,645	4,884	5,193	**5,877**
	149,390	169,771	187,251	213,027	237,520	216,659	**184,401**
	105,582	117,726	129,302	150,533	170,738	162,092	**145,774**
	13,394	7,969	12,408	9,397	20,071	15,237	**11,873**
	(6,523)	(9,490)	(6,473)	(9,762)	(7,227)	(10,041)	**(3,194)**
	(4,117)	(1,592)	(1,758)	(3,324)	(10,625)	(85)	**(7,588)**
	6,871	(1,520)	5,934	(365)	12,844	5,196	**8,679**
	¥ 33.14	¥ 67.36	¥ 98.89	¥ 107.81	¥ 120.16	¥ 112.96	**¥ 25.76**
	13.00	20.00	20.00	20.00	24.00	24.00	**20.00**
	764.94	853.40	935.80	1,089.67	1,233.65	1,177.77	**1,083.63**
	4.4	8.4	11.0	10.7	10.3	9.4	**2.3**
	3.1	5.9	7.6	7.4	7.3	6.8	**1.7**
	0.61	0.62	0.67	0.65	0.67	0.65	**0.60**
	5.1	9.4	11.4	11.5	10.9	10.5	**2.9**
	13.3	15.1	16.9	14.3	13.0	13.5	**7.4**
	3,889	3,971	4,755	4,390	4,782	4,681	**4,620**
	23.6	25.0	25.1	29.4	31.7	31.6	**26.2**

USHIO—the parent company and its 40 consolidated subsidiaries and 3 equity method affiliates—engages mainly in developing, manufacturing, marketing, and providing ancillary services for optical products and manufacturing equipment. In the fiscal year ended March 31, 2009, USHIO's sales and earnings declined sharply amid the global economic tumult. The Company remained profitable despite the earnings downturn, and management projects higher earnings in the fiscal year to March 31, 2010.

Economic trends and USHIO's response

Corporate earnings in Japan, USHIO's largest market, deteriorated sharply in the fiscal year ended March 31, 2009. The global financial crisis spread to the real economy, and demand shrank in the United States and in other nations worldwide. Combined with the appreciation of the yen, the shrinking of demand undermined earnings in Japan's export industries at a historically precipitous pace. Companies cancelled or deferred capital spending, and consumer spending slumped.

In the United States, profitability collapsed at financial institutions, and consumer spending declined as the employment picture worsened. The economic malaise that originated in the financial sector spread to large manufacturers, and an air of uncertainty about the economic outlook prevailed.

Economic growth slowed in Europe, too, though earlier fears of inflation subsided. Corporate earnings declined, and consumer spending declined amid weakening employment.

Asian nations besides Japan, which had been an economic growth center, also suffered slowing economic growth. Amplifying the economic distress was the absence of any sign of imminent recovery.

At USHIO, demand for the Company's replacement exposure lamps and equipment for manufacturing LCDs declined. That decline reflected the slump in consumer spending and related production cutbacks and inventory adjustments at manufacturers of LCD products. Demand for USHIO's replacement exposure lamps and equipment for manufacturing semiconductor devices also declined. Weak prices for dynamic random access memory and for flash memory depressed capacity utilization rates at semiconductor manufacturers and obliged those manufacturers to curtail their capital spending.

USHIO's business weakened, too, in visual image equipment, though the Company posted strong sales in digital cinema projectors. Growth in the number of 3-D releases by movie studios stimulated the ongoing shift to digital projection. In data projectors and in office automation equipment, USHIO posted sales declines in original equipment lamps and in replacement lamps. Those declines reflected corporate spending cuts occasioned by deteriorating profitability.

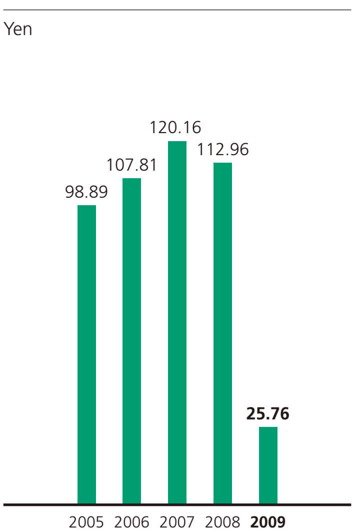
Earnings

Net sales at USHIO declined 18.4%, to ¥120,846 million in the fiscal year ended March 31, 2009, as sales declined in every principal product line except digital cinema projectors. Operating income declined 55.3%, to ¥8,963 million, in reflection of the Company's diminished sales volume and reduced capacity utilization in ultraviolet exposure lamps and data projector lamps.

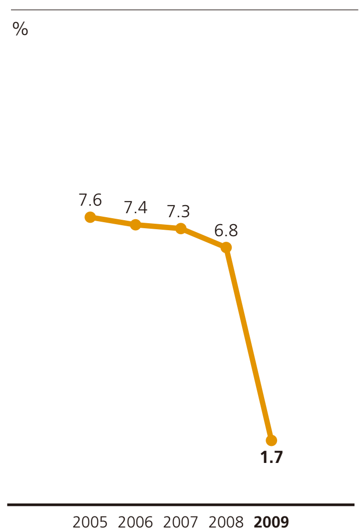
Ordinary income declined 57.2%, to ¥9,991 million, reflecting the downturn in operating income, losses on securities held for sale, a decline in gains on sales of investment securities, and losses on investments in equity method affiliates. Net income declined 77.5%, to ¥3,481 million, as the Company recorded a valuation loss on investment securities and losses on the liquidation of operations and as it drew down deferred tax assets.

USHIO strove to minimize the effect of the economic downturn on its earnings by raising productivity, by lowering manufacturing costs, by reducing expenses, and by building and expanding global marketing channels. Management is counting on those and other efforts to buttress the Company's growth momentum in sales and earnings over the long term.

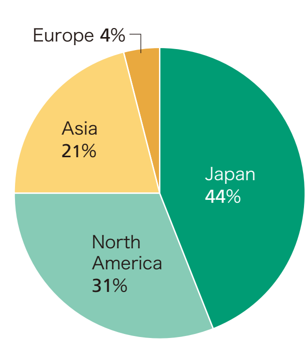
Net Income Per Share



Return On Assets (ROA)



Sales by Company Location
(including intersegment transactions)



Results by business segment

● Light source application products

USHIO's sales of light source application products declined 18.4% in the fiscal year ended March 31, 2009, to ¥117,484 million, and operating income in that segment declined 54.9%, to ¥8,910 million. In tube lamps, sales of ultraviolet exposure lamps and for other lamps declined. That decline reflected downward movement in capacity utilization rates in the LCD and semiconductor industries caused by the global economic downturn.

Sales also declined in high-intensity electric discharge lamps for data projectors. That decline reflected escalating price competition among projector manufacturers, which resulted from shrinkage in the overall market for data projectors.

In lamps for office automation equipment, sales were short of management's target on account of stagnating demand in that sector. Business in cinema projection lamps was generally firm despite the appreciation of the yen.

USHIO's business declined in optical system products, which consists of LCD and semiconductor manufacturing equipment. That decline reflected cutbacks and postponements of capital spending at LCD and semiconductor manufacturers. Sales also declined in visual image equipment. That decline occurred despite unit sales growth in digital cinema projectors and resulted partly from the appreciation of the yen.

● Machinery for industrial uses and other business

In machinery for industrial uses and other business, USHIO's sales declined 19.2% in the fiscal year ended March 31, 2009, to ¥3,393 million, and operating income declined 83.0%, to ¥52 million. The principal reason for those declines was weakening demand for USHIO's inspection equipment for precision moldings.

Results by geographic segment: by company location

● Japan

Sales by the parent company and its subsidiaries in Japan declined 17.6%, to ¥62,067 million, including intersegment transactions, and operating income declined 66.5%, to ¥3,593 million. Shipments of LCD and semiconductor manufacturing equipment declined on account of cutbacks and postponements of capital spending in those sectors. Sales of replacement exposure lamps and other lamps declined, meanwhile, on account of declining capacity utilization rates in the LCD and semiconductor industries. USHIO's business in industrial equipment for other sectors declined on account of weakening demand.

● North America

In North America, sales by USHIO subsidiaries declined 20.5%, to ¥43,618 million, including intersegment transactions, and operating income at those operations declined 48.8%, to ¥1,390 million. Unit sales of digital cinema projectors increased, but sales declined in non-cinema projectors and in general illumination products on account of slowing economic growth. A plant relocation by a large customer in the semiconductor industry undercut sales of heater lamps and ultraviolet exposure lamps.

● Asia

Sales by USHIO subsidiaries in Asian nations besides Japan declined 16.0%, to ¥30,450 million, including intersegment transactions, and operating income at those operations declined 34.0%, to ¥3,937 million. Demand for USHIO's replacement exposure lamps and manufacturing equipment for LCDs and semiconductors remained strong in the first half of the fiscal year, but sales of those products declined in the second half on account of postponements of capital spending and declines in capacity utilization rates. Sales of high-intensity electric discharge lamps for data projectors declined on account of slowing market growth and escalating price competition.

● Europe

In Europe, sales by USHIO subsidiaries declined 19.5%, to ¥6,403 million, including intersegment transactions, and those operations posted an operating loss of ¥515 million, compared with operating income of ¥539 million in the previous fiscal year. Lamps for general illumination and for special illumination applications are a main line of business for USHIO in Europe, and European demand for those lamps declined. A factor in the decline in operating income was the first-time inclusion of R&D expenditures at XTREME technologies GmbH. That German subsidiary develops production equipment that uses extreme ultraviolet light, and it appears in USHIO's consolidated accounts for the first time in the fiscal year to March 31, 2009.

Overseas Sales

USHIO posted a 16.5% decline in sales to customers in Asian nations besides Japan, to ¥34,517 million; a 29.6% decline in sales to customers in North America, to ¥27,652 million; a 3.5% decline in sales to customers in Europe, to ¥14,209 million; and a 60.2% increase in sales to customers in other regions, mainly Argentina and Brazil, to ¥1,789 million.

Sources of funds and liquidity

Cash and cash equivalents at fiscal year-end totaled ¥27,329 million, down 1.3% from the previous fiscal year-end. The principal factors in that decline included ¥5,380 million in payments for purchases of property, plant and equipment and ¥4,073 million in payments for purchases of treasury stock. Those and other payments offset ¥5,542 million in income before income taxes and minority interests, ¥2,231 million in net sales and redemptions of investment securities, and other sources of funds.

● Net cash provided by operating activities

Operating activities generated a net cash flow of ¥11,873 million. The principal additions to operating cash flow were ¥5,542 million in income before income taxes and minority interests, a ¥7,975 million decrease in notes and accounts receivable, and a ¥6,280 million adjustment for depreciation and amortization. The principal offsets against operating cash flow were a decrease of ¥3,710 million in notes and accounts payable and payments of ¥5,529 million in income taxes.

● Net cash used in investing activities

Investing activities absorbed ¥3,194 million. The principal factors in that item were ¥5,380 million in payments for purchases of property, plant and equipment; ¥2,231 million in net proceeds from sales and redemptions of investment securities; a net decrease of ¥465 million in time deposits held; and net proceeds of ¥129 million from sales and redemptions of short-term investments.

● Net cash used in financing activities

Financing activities absorbed ¥7,588 million. Payments of ¥4,073 million for the purchase of treasury stock and ¥3,273 million for earnings distributions through dividends more than offset a net increase of ¥1,006 million in long-term bank loans.

Financial position

● Current assets

At fiscal year-end, current assets totaled ¥102,706 million, a decline of 8.2% from the previous fiscal year-end. Chiefly responsible for that decline was a decrease in notes and accounts receivable, which resulted from the decline in business volume.

● Net assets

The Company's net assets at fiscal year-end totaled ¥145,774 million, a decline of 10.1% from the previous fiscal year-end. That decline is attributable primarily to a decline in unrealized gains on securities, repurchases of shares, and a charge for translation adjustments associated with the appreciation of the yen.

Capital expenditures

USHIO's capital expenditures declined 28.8% in the fiscal year ended March 31, 2009, to ¥5,415 million. That decline comprised a decrease of 27.8% in light source application products, to ¥5,400 million, and a decrease of 88.6% in machinery for industrial uses and other business, to ¥15 million. It reflected a sharpened focus in each business segment and geographic segment on the most promising sectors for investment. USHIO funded its capital expenditures with a combination of internally generated funds and borrowings.

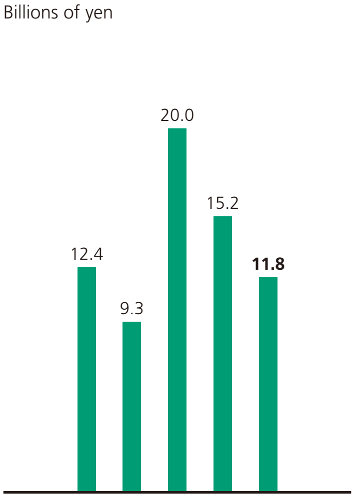
The principal targets of investment were upgraded production systems for digital imaging products, high-density surface-mounting technology for reducing size and weight and raising functionality and performance in information processing products and in other electronics products, and exposure technology for next-generation manufacturing equipment for semiconductor memory devices.

Research and development

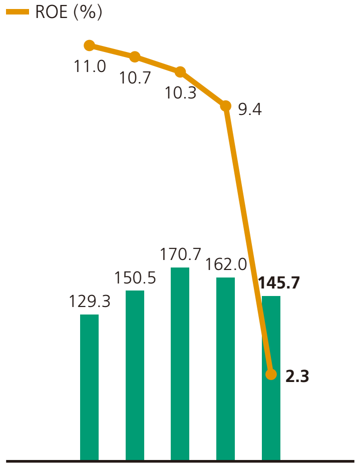
R&D expenses increased 13.2% in the fiscal year ended March 31, 2009, to ¥5,877 million. The main targets of R&D were light sources for industrial applications. That included work on optical applications in a growing range of electronic and electromechanical equipment. Two core emphases were the combining of components in integrated assemblies and the development of equipment and systems based on optical technology.

Net Cash Provided by Operating Activities

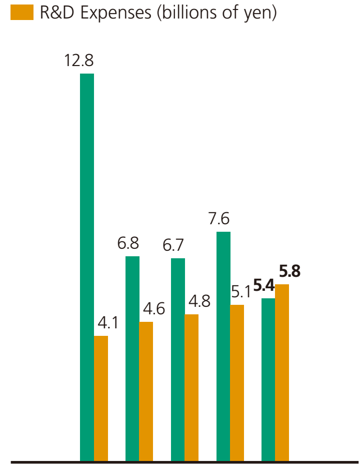
Billions of yen



Net Assets and Return on Equity (ROE)



Capital Expenditures and R&D Expenses



Note: Equity = Shareholders' equity + Valuation, translation adjustments and other

USHIO continued working to provide optimal optical solutions for needs in new product categories spawned by the convergence of electronics and information technology. The Company stepped up its efforts to keep abreast of the latest developments in markets and technology and to accompany its product offerings with value-added technical support and maintenance. It continued to promote interaction among the R&D teams in its different product groups with an eye to developing new kinds of light sources and equipment.

Employees

USHIO—the parent company and its 40 consolidated subsidiaries—employed 4,620 people at fiscal year-end, including 1,721 at the parent company. The consolidated total was 61 less and the parent-company total 40 more than at the previous fiscal year-end.

Risks

Below is a summary of risks that could affect the Company's business performance, financial position, and cash flow adversely and materially. These are the risks cited by management in the Company's Yukashoken Hokokusho (Securities Report) to the Japanese government, filed on June 26, 2009. This is only a partial listing, and the Company faces risks other than those cited here that could also affect its business performance, financial position, and cash flow materially.

● Market fluctuations in semiconductors and LCDs

The Company's business performance is sensitive to fluctuations in the semiconductor and LCD industries. USHIO's principal products for those industries are replacement exposure lamps and manufacturing equipment. Demand for the Company's replacement exposure lamps is generally steady while customer plants are operating, but demand for the Company's manufacturing equipment is subject to short- and long-term developments in technological progress in semiconductors and LCDs. Unexpected developments in that technological progress could affect the Company's business performance and financial position materially.

● Market fluctuations in light sources for illumination and irradiation

USHIO supplies light sources for data projectors and light sources and equipment for digital cinema projection systems. Fluctuations in prices and demand in those product sectors could affect the Company's business performance and financial position materially.

● Access to raw materials

The Company relies on diverse raw materials in its manufacturing operations, and it does business with broad-ranging suppliers to ensure steady supplies of high-quality raw materials at competitive prices. Risk is especially a concern in regard to the rare metals tungsten and molybdenum, which are crucial to several USHIO products. Interruptions in access to those materials could affect the Company's business performance and financial position materially.

● Developing exposure technology for semiconductor manufacturing

USHIO commands a large market share in high-intensity electric discharge lamps used in semiconductor manufacturing equipment to expose microcircuitry patterns. Semiconductor manufacturing is beginning to shift to other exposure technologies. One of those technologies is excimer laser exposure, and USHIO has built a presence in that technology through the affiliate GIGAPHOTON INC. Another new exposure technology is extreme ultraviolet exposure, and USHIO is developing that technology through its subsidiary XTREME technologies GmbH. Unexpected developments in the progress of exposure technology could affect the Company's business performance and financial position materially.

● Cross-border business

The Company, based in Japan, conducts manufacturing and marketing in North America, in Europe, and in other Asian nations. Manufacturers of office automation equipment have concentrated most of their production capacity in Asia, mainly in China. USHIO is a leading supplier of light sources for office automation equipment, and it has also concentrated its production capacity for those products in China. Unexpected changes in Chinese rules or regulations could affect the Company's business performance and financial position materially.

● Intellectual property

USHIO operates in business sectors characterized by frequent technological advances. Protecting, maintaining, and managing patents, trademarks, and other intellectual property are influential factors in competitiveness and market share in those business sectors. Litigation could arise if a third party were to infringe on the Company's intellectual property rights or if the Company were to infringe on a third party's intellectual property rights, and the results of any such litigation are impossible to predict reliably. In addition, the patent authorities could refuse patent applications submitted by the Company after allocating extensive resources to research and development. Any event that resulted in USHIO's losing or failing to gain ownership of important patent protection could affect the Company's business performance and financial position materially.

● Currency exchange rates

The Company conducts its commercial operations and its financial operations in yen and in other currencies. Return on those operations is therefore subject to the influence of fluctuations in currency exchange rates. The Company uses forward exchange contracts to moderate currency exchange risk, but it cannot negate that risk completely. Large and unexpected developments in the foreign exchange markets could affect the Company's business performance and financial position materially.

Consolidated Balance Sheets

USHIO INC. and Subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and bank deposits (Note 11)	**¥ 28,220**	¥ 31,412	**$ 287,290**
Short-term investments (Note 7)	**6,518**	2,587	**66,364**
Notes and accounts receivable (Note 3)	**27,380**	37,074	**278,743**
Less: Allowance for doubtful accounts	**(529)**	(626)	**(5,387)**
Merchandise and finished goods	**16,446**	17,048	**167,424**
Work in process	**5,357**	5,371	**54,544**
Raw materials and supplies	**6,989**	7,531	**71,150**
Deferred tax assets (Note 4)	**3,109**	3,686	**31,657**
Prepaid expenses and other current assets	**9,212**	7,830	**93,782**
Total current assets	**102,706**	111,914	**1,045,567**
Property, plant and equipment, at cost:			
Land	**8,579**	8,849	**87,341**
Buildings and structures	**30,519**	30,760	**310,699**
Machinery and equipment (Note 3)	**36,725**	34,458	**373,875**
Construction in progress	**646**	617	**6,586**
	76,472	74,684	**778,501**
Less: Accumulated depreciation	**(39,621)**	(36,457)	**(403,351)**
Property, plant and equipment, net	**36,850**	38,227	**375,150**
Investments and other assets:			
Investment securities (Note 7)	**34,329**	55,934	**349,479**
Investments in and advances to affiliates	**3,319**	3,587	**33,794**
Deferred tax assets (Note 4)	**772**	207	**7,861**
Other assets	**6,422**	6,787	**65,387**
Total investments and other assets	**44,844**	66,516	**456,521**
Total assets	**¥184,401**	¥216,659	**$1,877,238**

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 2) 2009
Current liabilities:			
Short-term debt (Note 3)	**¥ 7,180**	¥ 8,672	**$ 73,101**
Current portion of long-term debt (Note 3)	**54**	54	**550**
Notes and accounts payable	**9,796**	15,214	**99,726**
Income taxes payable	**622**	3,055	**6,333**
Deferred tax liabilities (Note 4)	**27**	0	**280**
Other current liabilities	**9,063**	11,161	**92,270**
Total current liabilities	**26,744**	38,159	**272,260**
Long-term liabilities:			
Long-term debt (Note 3)	**3,888**	2,962	**39,582**
Deferred tax liabilities (Note 4)	**4,480**	10,146	**45,608**
Retirement benefits (Note 9)	**562**	463	**5,728**
Other long-term liabilities	**2,951**	2,835	**30,044**
Total long-term liabilities	**11,882**	16,407	**120,962**
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized —300,000,000 shares			
Issued —139,628,721 shares	**19,556**	19,556	**199,087**
Additional paid-in capital	**28,371**	28,371	**288,826**
Retained earnings	**105,524**	105,323	**1,074,263**
Treasury stock, at cost	**(9,201)**	(5,127)	**(93,677)**
Total shareholders' equity	**144,250**	148,122	**1,468,499**
Valuation, translation adjustments and other:			
Unrealized gains on other securities held	**7,832**	17,150	**79,740**
Translation adjustments	**(7,363)**	(4,313)	**(74,959)**
Total valuation, translation adjustments and other	**469**	12,837	**4,781**
Minority interests	**1,054**	1,132	**10,736**
Total net assets (Note 10)	**145,774**	162,092	**1,484,016**
Total liabilities and net assets	**¥184,401**	¥216,659	**$1,877,238**

See notes to consolidated financial statements.

Consolidated Statements of Income

USHIO INC. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	**2009**
Net sales	**¥120,846**	¥148,148	**$1,230,242**
Cost of sales	**81,644**	98,020	**831,153**
Gross profit	**39,202**	50,127	**399,089**
Selling, general and administrative expenses (Note 5)	**30,238**	30,076	**307,836**
Operating income	**8,963**	20,050	**91,253**
Other income (expenses):			
Interest and dividend income	**1,776**	2,027	**18,086**
Interest expenses	**(375)**	(377)	**(3,826)**
Other, net	**(4,821)**	(165)	**(49,085)**
	(3,420)	1,485	**(34,825)**
Income before income taxes and minority interests	**5,542**	21,535	**56,428**
Income taxes (Note 4):			
Current	**1,214**	6,533	**12,363**
Deferred	**625**	(643)	**6,368**
	1,839	5,889	**18,731**
Income before minority interests	**3,703**	15,646	**37,697**
Minority interests	**(221)**	(160)	**(2,252)**
Net income (Note 10)	**¥ 3,481**	¥ 15,486	**$ 35,445**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

USHIO INC. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	**2009**
Common stock			
Balance at beginning of year			
(2009—139,628,721 shares 2008—139,628,721 shares)	**¥ 19,556**	¥ 19,556	**$ 199,087**
Balance at end of year			
(2009—139,628,721 shares 2008—139,628,721 shares)	**¥ 19,556**	¥ 19,556	**$ 199,087**
Additional paid-in capital			
Balance at beginning of year	**¥ 28,371**	¥ 28,371	**$ 288,826**
Balance at end of year	**¥ 28,371**	¥ 28,371	**$ 288,826**
Retained earnings			
Balance at beginning of year	**¥105,323**	¥ 93,141	**$1,072,209**
Add:			
Net income	**3,481**	15,486	**35,445**
Deduct:			
Distributions	**(3,279)**	(3,304)	**(33,391)**
Balance at end of year	**¥105,524**	¥105,323	**$1,074,263**
Treasury stock, at cost			
Balance at beginning of year	**¥ (5,127)**	¥ (2,984)	**$ (52,203)**
Net change during the year	**(4,073)**	(2,143)	**(41,474)**
Balance at end of year	**¥ (9,201)**	¥ (5,127)	**$ (93,677)**
Unrealized gains on other securities held			
Balance at beginning of year	**¥ 17,150**	¥ 30,594	**$ 174,598**
Net change during the year	**(9,317)**	(13,443)	**(94,858)**
Balance at end of year	**¥ 7,832**	¥ 17,150	**$ 79,740**
Gain on deferred hedges			
Balance at beginning of year	**¥ –**	¥ 42	**$ –**
Net change during the year	**–**	(42)	**–**
Balance at end of year	**¥ –**	¥ –	**$ –**
Translation adjustments			
Balance at beginning of year	**¥ (4,313)**	¥ 1,124	**$ (43,913)**
Net change during the year	**(3,049)**	(5,437)	**(31,046)**
Balance at end of year	**¥ (7,363)**	¥ (4,313)	**$ (74,959)**
Minority interests			
Balance at beginning of year	**¥ 1,132**	¥ 891	**$ 11,525**
Net change during the year	**(77)**	240	**(789)**
Balance at end of year	**¥ 1,054**	¥ 1,132	**$ 10,736**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

USHIO INC. and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	**2009**
Operating activities			
Income before income taxes and minority interests	**¥ 5,542**	¥ 21,535	**$ 56,428**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**6,280**	5,834	**63,933**
Interest and dividend income	**(1,776)**	(2,027)	**(18,086)**
Interest expenses	**375**	377	**3,826**
Losses on investments in business partnerships	**–**	24	**–**
Equity in losses (gains) of affiliates	**174**	(550)	**1,778**
Gains on sale of investment securities	**(1,886)**	(2,870)	**(19,201)**
Losses on sale of investment securities	**–**	17	**–**
Losses on impairment of investment securities	**3,752**	293	**38,199**
Decrease in notes and accounts receivable	**7,975**	3,911	**81,189**
Increase in inventories	**(1,511)**	(2,148)	**(15,385)**
Decrease in notes and accounts payable	**(3,710)**	(4,193)	**(37,772)**
Other	**739**	2,643	**7,517**
Subtotal	**15,955**	22,848	**162,426**
Interest and dividends received	**1,821**	2,040	**18,547**
Interest paid	**(374)**	(365)	**(3,809)**
Income taxes paid	**(5,529)**	(9,285)	**(56,290)**
Net cash provided by operating activities	**11,873**	15,237	**120,874**
Investing activities			
Increase in time deposits	**(7,422)**	(11,611)	**(75,564)**
Proceeds from time deposits	**6,957**	15,236	**70,831**
Increase in short-term loans receivable	**(2,364)**	(13,719)	**(24,076)**
Proceeds from collection of short-term loans receivable	**2,905**	12,153	**29,583**
Purchases of short-term investments	**(2,730)**	(681)	**(27,794)**
Proceeds from redemption and sale of short-term investments	**2,859**	2,167	**29,105**
Purchases of property, plant and equipment	**(5,380)**	(8,425)	**(54,777)**
Proceeds from sale of property, plant and equipment	**256**	321	**2,616**
Purchases of intangible fixed assets	**(475)**	(585)	**(4,845)**
Purchases of investment securities	**(1,876)**	(6,800)	**(19,104)**
Proceeds from redemption and sale of investment securities	**4,107**	5,255	**41,817**
Increase in investments in capital	**–**	(385)	**–**
Increase in long-term loans receivable	**(123)**	(1,210)	**(1,252)**
Proceeds from collection of long-term loans receivable	**151**	0	**1,542**
Other	**(59)**	(1,753)	**(607)**
Net cash used in investing activities	**¥(3,194)**	¥(10,041)	**$(32,525)**
Financing activities			
Increase (decrease) in short-term debt	**¥(437)**	¥5,667	**$(4,457)**
Proceeds from long-term debt	**1,006**	2,862	**10,247**
Repayment of long-term debt	**(758)**	(3,107)	**(7,721)**
Purchases of treasury stock	**(4,073)**	(2,143)	**(41,474)**
Distributions paid	**(3,273)**	(3,306)	**(33,321)**
Distributions paid to minority interests	**(51)**	(58)	**(523)**
Net cash used in financing activities	**(7,588)**	(85)	**(77,249)**
Effect of exchange rate changes on cash and cash equivalents	**(1,461)**	(2,532)	**(14,880)**
Net increase (decrease) in cash and cash equivalents	**(371)**	2,578	**(3,780)**
Cash and cash equivalents at beginning of year	**27,700**	25,122	**282,002**
Cash and cash equivalents at end of year (Note 11)	**¥27,329**	¥27,700	**$278,222**

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis for 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 in their respective countries of domicile.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in Japan or either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. The financial impact of this adoption on income is immaterial, and the impact on each segment is described in "12. Segment Information."

The accompanying consolidated financial statements of the Company and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments 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 bring them into conformity with 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 (in both yen and 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 it exerts substantial control, either through majority ownership of voting stock and/or other means. As of March 31, 2009, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 40 and 3 (39 and 5 in 2008), respectively. The financial statements of subsidiary USHIO (SUZHOU) CO., LTD., and 4 other subsidiaries are consolidated by using their financial statements as of the parent fiscal year-end and which are prepared solely for consolidation purposes. All significant intercompany balances and transactions have been eliminated in the consolidation.

Investments in affiliates (companies over which the Company exercises 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 losses 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 net assets at the respective dates of acquisition is amortized by the straight-line method over a period of five years or 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 consolidated 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 net assets excluding minority interests, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. The differences arising from translation when more than two exchange rates have been used are presented as translation adjustments and minority interests on the accompanying consolidated balance sheets.

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 or losses resulting from the settlement of these items are credited or charged 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 gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving-average method.

(f) Inventories

Merchandise, finished goods and work in process are stated principally at the lower of cost or market, cost being determined by the average method for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

Raw materials are principally stated at the lower of cost or market, cost being determined by the moving-average method for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

(g) Depreciation and amortization (excluding lease assets)

Depreciation of property, plant and equipment of the Company and its domestic consolidated 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 or its domestic consolidated subsidiaries are depreciated by the straight-line method.

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

Intangible assets are amortized by the straight-line method.

Effective from the fiscal year beginning April 1, 2007, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 in accordance with an amendment to the Corporate Tax law of Japan. The financial impact of this change on income is immaterial.

As for property, plant and equipment acquired before April 1, 2007, the Company applied the former depreciation method during the fiscal year beginning April 1, 2007. Among these, property, plant and equipment for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years beginning from the following fiscal year. The financial impact of this change on income is immaterial.

(h) Leases

Before the fiscal year ended March 31, 2008, finance lease transactions that do not involve a transfer of ownership were accounted for using the same method as operating leases. Since the fiscal year beginning April 1, 2008, "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993 (First Committee of Business Accounting Council) revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994 (Accounting System Committee of Japan Institute of Certified Public Accountants) revised on March 30, 2007) are applied and all finance lease transactions are capitalized, except for the finance lease transactions executed on or before March 31, 2008 that do not involve a transfer of ownership and which are accounted by the same method as former fiscal years.

This change had no impact on operating income or income before income taxes and minority interests for the year ended March 31, 2009.

(i) Inventories

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued July 5, 2006) is applied from the fiscal year beginning April 1, 2008. As a result of this change, operating income and income before income taxes and minority interests decreased by ¥535 million ($5,453 thousand) and ¥722 million (7,351 thousand), respectively. An inventory write-down of ¥535 million ($5,453 thousand) was included in the cost of sales.

The financial impact of this change on each segment is described in "12. Segment Information."

(j) Research and development expenses

Research and development expenses are charged to income when incurred.

(k) 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.

(l) Allowance for employees' bonuses

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

(m) Retirement and severance benefits

The Company and certain of its consolidated subsidiaries participate in a contributory defined benefit pension plan, which entitles employees of the Company and these consolidated subsidiaries upon retirement to either a lump-sum payment or pension annuity payments for life or a combination of both, based on their length of service, basic salary at retirement and 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 in an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at year-end. Actuarial gains or losses are 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 costs are 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 in the full amount which would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(n) Warranty reserve

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

(o) Allowance for losses on orders

To provide for future losses on contracted orders, the Company provides an allowance for losses on orders equal to the amount of losses it anticipates for fiscal years following the year ended March 31, 2009. Such allowance is provided when the Company foresees at year-end that it will incur losses on future orders and when it is able to make a reasonable estimate of the amount of such losses.

(p) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into currency derivative transactions primarily in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. In accordance with the accounting standard for financial instruments, derivative financial instruments are carried at fair value with any changes in unrealized gains or losses charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as assets or liabilities.

(q) 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 that will be in effect when the differences are expected to reverse.

2. U.S. Dollar Amounts

For the readers' convenience, the accompanying consolidated financial statements with respect to the year ended March 31, 2009 have been presented in U.S. dollars by translating all yen amounts at ¥98.23 = U.S.$1.00, the exchange rate prevailing on March 31, 2009. 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 Debt and Long-Term Debt

Short-term debt consisted mainly of unsecured and secured loans payable to banks at interest rates ranging from 0.04% to 3.80% and from 1.19% to 6.45% per annum at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
The Company:			
Loans from banks, due through 2009 at rates ranging from 1.65% to 1.66%	**¥2,840**	¥2,840	**$28,912**
Consolidated subsidiaries:			
Loans from banks, due through 2009 at rates ranging from 1.25% to 4.70%	**1,102**	177	**11,220**
Total long-term debt	**3,942**	3,017	**40,132**
Less current portion	**54**	54	**550**
	¥3,888	¥2,962	**$39,582**

The assets pledged as collateral for debt at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Accounts receivable	**¥54**	**$550**
Machinery, equipment and vehicles	**18**	**186**
	¥72	**$736**

The related debt for which the above assets were pledged as collateral at March 31, 2009 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term debt	**¥54**	**$550**
Current portion of long-term debt	**3**	**36**
Long-term debt	**8**	**88**
	¥66	**$674**

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 54	$ 550
2011	2,843	28,951
2012	1,035	10,543
2013	8	88
2014 and thereafter	–	–
Total	¥3,942	$40,132

4. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation taxes, inhabitants' taxes and enterprise taxes, which resulted in an aggregate statutory tax rate of approximately 40.7% for the years ended March 31, 2009 and 2008. 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, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 148**	¥ 175	**$ 1,514**
Enterprise taxes payable	**12**	175	**128**
Allowance for employees' bonuses	**663**	785	**6,759**
Warranty reserve	**504**	613	**5,140**
Retirement benefit expenses	**1,489**	1,440	**15,159**
Allowance and accrual for retirement benefits for directors and corporate auditors	**542**	551	**5,525**
Write-downs of inventories	**538**	296	**5,485**
Net losses carried forward	**880**	158	**8,967**
Impairment losses on equity investments in affiliates	**398**	398	**4,053**
Other	**1,596**	2,212	**16,248**
Gross deferred tax assets	**6,775**	6,807	**68,978**
Valuation allowance	**(602)**	(65)	**(6,137)**
Total deferred tax assets	**6,172**	6,742	**62,841**
Deferred tax liabilities:			
Unrealized gains on other securities held	**(5,438)**	(11,831)	**(55,366)**
Depreciation	**(233)**	(131)	**(2,382)**
Gains on contribution of securities to employees' retirement benefit trust	**(766)**	(766)	**(7,808)**
Enterprise taxes refund	**(144)**	–	**(1,466)**
Other	**(214)**	(265)	**(2,189)**
Total deferred tax liabilities	**(6,798)**	(12,994)	**(69,211)**
Net deferred tax liabilities	**¥ (625)**	¥ (6,252)	**$ (6,370)**

A reconciliation between the statutory tax rate and the effective tax rates as a percentage of income before income taxes and minority interests for the years ended March 31, 2009 and 2008 are summarized as follows:

	2009	2008
Statutory tax rate	**40.7%**	40.7%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	**15.4**	(0.1)
Non-taxable income for income tax purposes	**(3.6)**	(0.6)
Non-deductible expenses for income tax purposes	**1.5**	0.3
Tax deductions related to R&D activities	**(2.6)**	(3.3)
Foreign tax credits	**–**	(0.1)
Different tax rates applied to overseas subsidiaries	**(14.5)**	(6.7)
Equity in net loss (income) of affiliated companies	**1.3**	(1.0)
Reversal of the income tax payable for the past fiscal year	**(8.1)**	–
Other	**3.1**	(1.9)
Effective tax rates	**33.2%**	27.3%

5. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2009 and 2008 were as follows:

Millions of yen		Thousands of U.S. dollars
2009	2008	**2009**
¥5,877	¥5,193	**$59,831**

6. Leases

Finance lease transactions involving no transfer of ownership effective on or before March 31, 2008 are accounted for as operating 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, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases accounted for as operating leases:

	Millions of yen			
	2009			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	**¥52**	**¥139**	**¥32**	**¥225**
Accumulated depreciation/amortization	**35**	**69**	**30**	**135**
Net book value	**¥16**	**¥ 70**	**¥ 1**	**¥ 89**

	Millions of yen			
	2008			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	¥64	¥154	¥32	¥251
Accumulated depreciation/amortization	36	52	26	114
Net book value	¥27	¥102	¥ 6	¥136

	Thousands of U.S. dollars			
	2009			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	**$535**	**$1,425**	**$332**	**$2,291**
Accumulated depreciation/amortization	**365**	**704**	**313**	**1,381**
Net book value	**$170**	**$ 721**	**$ 19**	**$ 910**

Lease expenses related to finance leases accounted for as operating leases for the years ended March 31, 2009 and 2008 totaled ¥47 million ($479 thousand) and ¥43 million, respectively. The following pro forma amounts represent interest expenses and depreciation/amortization for the years ended March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated statements of income if finance lease accounting had been applied to the finance leases accounted for as operating leases.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Interest expenses	**¥47**	¥43	**$479**
Depreciation/amortization	**47**	43	**479**

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2009 for finance leases accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and its consolidated subsidiaries, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥38	$394
Due after one year	50	516
Total	¥89	$910

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. The amount of interest included was deemed insignificant.

Future minimum lease payments under operating leases, which are lease transactions other than finance leases, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥338	$3,450
Due after one year	603	6,149
Total	¥942	$9,599

7. Short-Term Investments and Investment Securities

(1) Trading securities

Trading securities as of March 31, 2009 and 2008 are summarized as follows:

As of March 31, 2009			
Millions of yen		Thousands of U.S. dollars	
Carrying value	Loss	Carrying value	Loss
¥1,603	**¥(750)**	**$16,320**	**$(7,636)**

As of March 31, 2008	
Millions of yen	
Carrying value	Loss
¥720	¥(77)

(2) Marketable other securities

Marketable other securities as of March 31, 2009 and 2008 are summarized as follows:

	As of March 31, 2009					
	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	**¥ 6,681**	**¥22,699**	**¥16,018**	**$ 68,022**	**$231,089**	**$163,067**
(2) Bonds:						
Corporate bonds	**127**	**135**	**7**	**1,301**	**1,379**	**78**
(3) Other	**195**	**228**	**32**	**1,993**	**2,322**	**329**
Subtotal	**7,005**	**23,063**	**16,058**	**71,316**	**234,790**	**163,474**
Securities whose acquisition cost exceeds their carrying value:						
(1) Stock	**8,544**	**6,582**	**(1,961)**	**86,981**	**67,013**	**(19,968)**
(2) Bonds:						
Government bonds and municipal bonds	**420**	**411**	**(8)**	**4,277**	**4,191**	**(86)**
Corporate bonds	**3,887**	**3,230**	**(656)**	**39,576**	**32,892**	**(6,684)**
(3) Other	**323**	**239**	**(84)**	**3,293**	**2,435**	**(858)**
Subtotal	**13,175**	**10,464**	**(2,710)**	**134,127**	**106,531**	**(27,596)**
Total	**¥20,180**	**¥33,527**	**¥13,347**	**$205,443**	**$341,321**	**$135,878**

	As of March 31, 2008		
	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stock	¥11,031	¥42,370	¥31,339
(2) Bonds:			
Government bonds and municipal bonds	420	420	0
Corporate bonds	553	581	28
(3) Other	390	551	161
Subtotal	12,394	43,923	31,529
Securities whose acquisition cost exceeds their carrying value:			
(1) Stock	7,183	5,182	(2,000)
(2) Bonds:			
Corporate bonds	4,377	3,989	(388)
(3) Other	2,226	2,077	(148)
Subtotal	13,786	11,249	(2,536)
Total	¥26,181	¥55,173	¥28,992

Note: The Group recognized impairment losses of ¥3,747 million ($38,148 thousand) on marketable other securities for the fiscal year ended March 31, 2009. Impairment is recognized when the market value at fiscal year-end falls to less than half of the carrying amounts at the beginning of the fiscal year. Except in cases in which the market value is recoverable, losses are also recorded when the decline in value is between 30% and 50% of the carrying amounts considering the fluctuation in the market price and fair value.

(3) Other securities sold

Other securities sold during the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Sale of securities	**¥4,958**	¥7,462	**$50,480**
Aggregate gains on sale	**1,890**	2,870	**19,242**
Aggregate losses on sale	**4**	11	**41**

Note: Sale of securities above includes the sales value of cash and cash equivalents shown in the consolidated statements of cash flows.

(4) Non-marketable securities

Non-marketable securities as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Other securities:			
Unlisted stocks	**¥1,815**	¥1,540	**$18,482**
Money management funds	**2,991**	30	**30,449**
Investments in business partnerships with limited liability and funds of similar types	**910**	1,053	**9,271**

Note: Impairment losses of ¥5 million ($51 thousand) were recognized for other securities for the year ended March 31, 2009.

(5) Redemption schedule

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity securities as of March 31, 2009 and 2008 is summarized as follows:

	As of March 31, 2009					
	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year and up to five years	Due after five years and up to ten years	Due within one year	Due after one year and up to five years	Due after five years and up to ten years
1. Bonds:						
(1) Government and municipal bonds	**¥ –**	**¥ 392**	**¥–**	**$ –**	**$ 4,000**	**$–**
(2) Corporate bonds	**1,875**	**830**	**–**	**19,093**	**8,457**	**–**
(3) Other	**–**	**–**	**–**	**–**	**–**	**–**
2. Other	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥1,875**	**¥1,223**	**¥–**	**$19,093**	**$12,457**	**$–**

	As of March 31, 2008		
	Millions of yen		
	Due within one year	Due after one year and up to five years	Due after five years and up to ten years
1. Bonds:			
(1) Government and municipal bonds	¥ 0	¥ 401	¥ 1
(2) Corporate bonds	1,694	2,904	–
(3) Other	–	–	–
2. Other	100	–	1,832
Total	¥1,794	¥3,305	¥1,833

8. Derivative Transactions

The notional amounts and the estimated fair value of the derivative positions outstanding at March 31, 2009 and 2008 are summarized below.

Currency-related transactions:

	As of March 31, 2009					
	Millions of yen			Thousands of U.S. dollars		
	Notional amounts	Estimated fair value	Unrealized gain (loss)	Notional amounts	Estimated fair value	Unrealized gain (loss)
Bilateral transactions:						
Forward foreign exchange contracts:						
Sell:						
USD	**¥ 711**	**¥ 735**	**¥(24)**	**$ 7,239**	**$ 7,492**	**$(253)**
Buy:						
CNY	**491**	**501**	**10**	**5,000**	**5,105**	**105**
PLN	**31**	**27**	**(3)**	**321**	**281**	**(40)**
JPY	**1,841**	**1,782**	**(58)**	**18,745**	**18,147**	**(597)**
Total	**¥3,075**	**¥3,047**	**¥(77)**	**$31,305**	**$31,025**	**$(785)**

	As of March 31, 2008		
	Millions of yen		
	Notional amounts	Estimated fair value	Unrealized gain (loss)
Bilateral transactions:			
Forward foreign exchange contracts:			
Sell:			
USD	¥1,550	¥1,551	¥ (1)
Buy:			
Euro	48	50	1
JPY	1,039	1,225	186
Total	¥2,637	¥2,827	¥187

9. Retirement Benefit Plans

The Company and its consolidated subsidiaries have defined benefit pension 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 with reference to their basic rates of pay and length of service and the conditions under which the termination occurs. The Company has established an employees' retirement benefit trust.

The following table presents the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(1) Retirement benefit obligations	**¥(20,661)**	¥(19,351)	**$(210,342)**
(2) Plan assets at fair value (including the trust fund for retirement benefits)	**13,201**	14,446	**134,394**
(3) Unfunded net retirement benefit obligations (1) + (2)	**(7,460)**	(4,904)	**(75,948)**
(4) Unrecognized actuarial gains or losses	**7,429**	5,121	**75,637**
(5) Unrecognized prior service costs	**31**	19	**316**
(6) Net liability for retirement benefits (3) + (4) + (5)	**0**	236	**5**
(7) Prepaid pension expenses	**489**	624	**4,983**
(8) Accrued retirement benefits (6) – (7)	**¥ (488)**	¥ (388)	**$ (4,978)**

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 applied a simplified method for computing their retirement benefit obligations.

The components of the retirement benefit expenses for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(1) Service costs (1 and 2)	**¥ 977**	¥ 868	**$ 9,949**
(2) Interest costs	**479**	423	**4,883**
(3) Expected return on plan assets	**(517)**	(556)	**(5,267)**
(4) Amortization of actuarial gains or losses	**431**	116	**4,391**
(5) Amortization of prior service costs	**(11)**	(20)	**(117)**
Total retirement benefit expenses (3)	**¥1,359**	¥ 832	**$13,839**

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 applied the simplified method have been included in (1) service costs.
3. Besides the amount stated, several consolidated subsidiaries have recognized a total of ¥358 million ($3,647 thousand) and ¥398 million as retirement expenses for defined contribution pension plans for the years ended March 31, 2009 and 2008, respectively.
4. In addition to the total retirement benefit expenses, the Company paid ¥158 million as additional retirement payments for the year ended March 31, 2008. Of the additional retirement payments, ¥121 million was recognized as an extraordinary loss for the year ended March 31, 2008 as a result of the approval of a resolution by the Company's Board of Directors to liquidate Gunma Ushio, Inc. subsequent to the year ended March 31, 2008.

The assumptions used in accounting for the above plans were as follows:

	2009	2008
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 costs	15 years (straight-line method)	
Amortization period of actuarial gains or losses	15 years (straight-line method)	

10. Amounts per Share

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

	Yen		U.S. dollars
	2009	2008	**2009**
Basic net income	**¥ 25.76**	¥ 112.96	**$ 0.26**
Net assets	**1,083.63**	1,177.77	**11.03**

Per share amounts assuming full dilution have not been presented because no common stock equivalents were outstanding at March 31, 2009 or 2008.

11. Supplementary Cash Flow Information

The following table presents a reconciliation of cash and bank deposits with cash and cash equivalents at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and bank deposits	**¥28,220**	¥31,412	**$287,290**
Time deposits with a maturity of more than three months	**(3,801)**	(3,741)	**(38,696)**
Short-term investments	**6,518**	2,587	**66,364**
Equity and debt securities with a maturity of more than three months	**(3,608)**	(2,556)	**(36,737)**
Cash and cash equivalents	**¥27,329**	¥27,700	**$278,222**

12. Segment Information

The business and geographical segment information and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are summarized as follows:

Business segments

	Year ended March 31, 2009				
	Millions of yen				
	Light source application products	Machinery for industrial use and other businesses	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	**¥117,479**	**¥ 3,367**	**¥120,846**	**¥ –**	**¥120,846**
Intersegment sales or transfers	**4**	**26**	**31**	**(31)**	**–**
Net sales	**117,484**	**3,393**	**120,878**	**(31)**	**120,846**
Operating expenses	**108,573**	**3,341**	**111,915**	**(32)**	**111,882**
Operating income	**¥ 8,910**	**¥ 52**	**¥ 8,962**	**¥ 1**	**¥ 8,963**
II. Total assets, depreciation and capital expenditures					
Total assets	**¥151,830**	**¥13,279**	**¥165,109**	**¥19,291**	**¥184,401**
Depreciation	**6,267**	**12**	**6,280**	**–**	**6,280**
Capital expenditures	**5,400**	**15**	**5,415**	**–**	**5,415**

	Year ended March 31, 2008				
	Millions of yen				
	Light source application products	Machinery for industrial use and other businesses	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥143,984	¥ 4,164	¥148,148	¥ –	¥148,148
Intersegment sales or transfers	3	37	41	(41)	–
Net sales	143,987	4,202	148,189	(41)	148,148
Operating expenses	124,247	3,894	128,141	(43)	128,097
Operating income	¥ 19,739	¥ 307	¥ 20,047	¥ 2	¥ 20,050
II. Total assets, depreciation and capital expenditures					
Total assets	¥171,794	¥12,232	¥184,027	¥32,631	¥216,659
Depreciation	5,794	40	5,834	–	5,834
Capital expenditures	7,475	133	7,608	–	7,608

	Year ended March 31, 2009				
	Thousands of U.S. dollars				
	Light source application products	Machinery for industrial use and other businesses	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	**$1,195,965**	**$ 34,277**	**$1,230,242**	**$ –**	**$1,230,242**
Intersegment sales or transfers	**46**	**274**	**320**	**(320)**	**–**
Net sales	**1,196,011**	**34,551**	**1,230,562**	**(320)**	**1,230,242**
Operating expenses	**1,105,304**	**34,017**	**1,139,321**	**(331)**	**1,138,989**
Operating income	**$ 90,707**	**$ 534**	**$ 91,242**	**$ 11**	**$ 91,253**
II. Total assets, depreciation and capital expenditures					
Total assets	**$1,545,665**	**$135,186**	**$1,680,851**	**$196,387**	**$1,877,238**
Depreciation	**63,806**	**127**	**63,933**	**–**	**63,933**
Capital expenditures	**54,981**	**154**	**55,136**	**–**	**55,136**

Notes: a) Basis of segmentation

(1) Business segments are divided into categories based on the uses of individual products 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 O_3 cleaning systems, and various other exposure systems

Machinery for industrial use and other businesses—

Injection molding machinery, food-packaging systems, and automatic controls

b) Eliminations or unallocated amounts of total assets include unallocated amounts totaling ¥28,996 million ($295,192 thousand) and ¥37,994 million at March 31, 2009 and 2008, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

c) Depreciation and capital expenditures include amortization and additions to long-term prepaid expenses, respectively.

d) Change in Accounting Policy

(1) Adoption of the new "Accounting Standard for Measurement of Inventories"

As described in "1. (i) Inventories," effective from the fiscal year beginning April 1, 2008, the Company and its domestic consolidated subsidiaries adopted the new "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006). As a result, operating income decreased ¥535 million ($5,450 thousand) in the light source application products segment and ¥0 million ($3 thousand) in the machinery for industrial use and other business segment, respectively.

(2) Adoption of the new "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18)"

As described in "1. (a) Basis for presentation," effective from the fiscal year beginning April 1, 2008, the Company adopted the new PITF No. 18. The financial impact of this adoption on the operating income of each segment is immaterial.

Geographical segments

	Year ended March 31, 2009						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	**¥ 45,672**	**¥42,805**	**¥ 5,393**	**¥26,975**	**¥120,846**	**¥ –**	**¥ 120,846**
Intersegment sales or transfers	**16,395**	**813**	**1,009**	**3,475**	**21,693**	**(21,693)**	**–**
Net sales	**62,067**	**43,618**	**6,403**	**30,450**	**142,540**	**(21,693)**	**120,846**
Operating expenses	**58,474**	**42,228**	**6,918**	**26,513**	**134,134**	**(22,252)**	**(111,882)**
Operating income	**¥ 3,593**	**¥ 1,390**	**¥ (515)**	**¥ 3,937**	**¥ 8,405**	**¥ 558**	**¥ 8,963**
II. Total assets	**¥117,300**	**¥33,224**	**¥15,912**	**¥21,080**	**¥187,518**	**¥ (3,117)**	**¥ 184,401**

	Year ended March 31, 2008						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥ 53,421	¥53,794	¥ 7,180	¥33,751	¥148,148	¥ –	¥ 148,148
Intersegment sales or transfers	21,947	1,066	769	2,499	26,283	(26,283)	–
Net sales	75,369	54,861	7,949	36,250	174,431	(26,283)	148,148
Operating expenses	64,638	52,148	7,410	30,287	154,484	(26,386)	(128,097)
Operating income	¥ 10,731	¥ 2,713	¥ 539	¥ 5,963	¥ 19,947	¥ 103	¥ 20,050
II. Total assets	¥134,558	¥36,340	¥16,025	¥23,868	¥210,792	¥ 5,866	¥ 216,659

	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
	Year ended March 31, 2009						
	Thousands of U.S. dollars						
I. Sales and operating income							
Sales to external customers	**$ 464,954**	**$435,768**	**$ 54,904**	**$274,616**	**$1,230,242**	**$ –**	**$1,230,242**
Intersegment sales or transfers	**166,906**	**8,279**	**10,281**	**35,378**	**220,844**	**(220,844)**	**–**
Net sales	**631,860**	**444,047**	**65,185**	**309,994**	**1,451,086**	**(220,844)**	**1,230,242**
Operating expenses	**595,280**	**429,895**	**70,433**	**269,912**	**1,365,520**	**(226,531)**	**1,138,989**
Operating income	**$ 36,580**	**$ 14,152**	**$ (5,248)**	**$ 40,082**	**$ 85,566**	**$ 5,687**	**$ 91,253**
II. Total assets	**$1,194,145**	**$338,234**	**$161,991**	**$214,605**	**$1,908,975**	**$ (31,737)**	**$1,877,238**

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, South Korea, Philippines, Singapore

c) Eliminations or unallocated amounts of total assets include unallocated amounts totaling ¥28,996 million ($295,192 thousand) and ¥37,994 million at March 31, 2009 and 2008, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

d) Change in Accounting Policy

(1) Adoption of the new "Accounting Standard for Measurement of Inventories"
As described in "1. (i) Inventories," effective from the fiscal year beginning April 1, 2008, the Company and its domestic consolidated subsidiaries adopted the new "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006). As a result, operating income decreased ¥535 million ($5,453 thousand) in the Japan segment.

(2) Adoption of the new "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18)"
As described in "1. (a) Basis for presentation," effective from the fiscal year beginning April 1, 2008, the Company adopted the new PITF No. 18. The financial impact of this adoption on the operating income of each segment is immaterial.

Overseas sales

	North America	Europe	Asia	Other areas	Total
	Year ended March 31, 2009				
	Millions of yen				
III. Overseas sales					
Overseas sales	**¥27,652**	**¥14,209**	**¥34,517**	**¥1,789**	**¥ 78,168**
Consolidated net sales					**¥120,846**
Overseas sales as a percentage of consolidated net sales	**22.9%**	**11.8%**	**28.6%**	**1.5%**	**64.7%**
	Thousands of U.S. dollars				
III. Overseas sales					
Overseas sales	**$281,504**	**$144,654**	**$351,393**	**$18,219**	**$ 795,770**
Consolidated net sales					**$1,230,242**

	North America	Europe	Asia	Other areas	Total
	Year ended March 31, 2008				
	Millions of yen				
III. Overseas sales					
Overseas sales	¥39,271	¥14,731	¥41,329	¥1,117	¥ 96,449
Consolidated net sales					¥148,148
Overseas sales as a percentage of consolidated net sales	26.5%	9.9%	27.9%	0.8%	65.1%

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, South Korea, Philippines, Singapore, India

(4) Other areas—Argentina, Brazil

c) Overseas sales consisted of sales of the Company and its consolidated subsidiaries.

13. Business Combination

Purchase accounting—related matters

(1) Overview

The Company's wholly owned subsidiary, Christie Digital Systems, Inc. (CDS), acquired 100% of the shares of Vista Controls Systems, Corp. in a cash transaction dated July 9, 2007. The acquisition cost has not been completely allocated to expenses, assets, and liabilities because the acquisition price is partially subject to conditions and the payment is made in installments.

(2) Objective of acquisition

By incorporating the video processing systems of Vista Controls Systems, Corp. into the Group's cinema projector business, the Company sought to expand and deepen its video solutions business and to increase sales in this segment.

(3) The conditions attached to the acquisition price stipulated in the share transfer agreement and the accounting policy regarding these conditions are as follows:

a) Conditions attached to the acquisition price

The share transfer agreement provides that, from the date of acquisition until June 30, 2009, the Company shall pay an additional 19% of the gross profit earned by Vista Controls Systems, Corp. and an additional 19% of the gross profit earned by CDS on sales of Vista Controls Systems' products.

b) Accounting policy

With respect to the increase in goodwill resulting from the aforementioned payments, the Company will consider the payments to have been made at the time of its acquisition of Vista Controls Systems, Corp. and will make appropriate adjustments to its acquisition price, the amount of goodwill, and the amount of goodwill it amortizes.

14. Subsequent Event

The following distribution of the Company's retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, was approved at the Annual General Meeting of Shareholders held on June 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥20 = US$0.20 per share)	**¥2,671**	**$27,192**

Report of Independent Auditors

ERNST & YOUNG

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Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

The Board of Directors
USHIO INC.

We have audited the accompanying consolidated balance sheets of USHIO INC. and consolidated subsidiaries as of March 31, 2009 and 2008, 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, 2009 and 2008, 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, 2009 are presented solely for convenience. Our audit 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 ShinNihon LLC

June 26, 2009

Investor Information
As of March 31, 2009

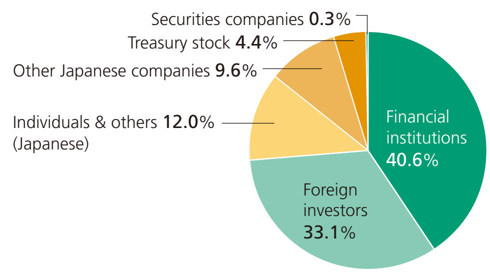
Total number of shares issued 139,628,721 shares
Number of Shareholders 14,689

Major Shareholders (holding 2 million shares or more)

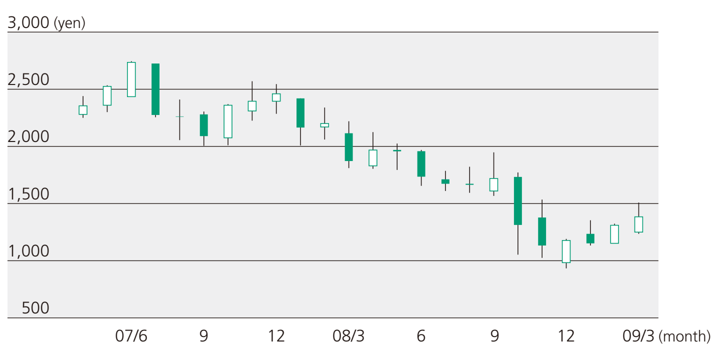
Name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd (Trust Account)	9,905	7.09
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,663	4.77
Japan Trustee Services Bank, Ltd. (4G, Trust Account)	6,432	4.60
Japan Trustee Services Bank, Ltd. (Trust Account)	6,252	4.47
Government of Singapore Investment Corporation Pte Ltd	4,987	3.57
ASAHI MUTUAL LIFE INSURANCE CO.	4,477	3.20
Nissay Dowa General Insurance Co., Ltd.	3,964	2.83
RBC DEXIA INVESTOR SERVICES TRUST, LONDON-LENDING ACCOUNT	3,663	2.62
Resona Bank, Ltd.	3,616	2.58
Jiro Ushio	3,201	2.29
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking, Co., Ltd. retrust portion/ Resona Bank, Ltd. Retirement Allowance Trust Account)	3,200	2.29
OM04 SSB Client Omnibus	2,817	2.01
State Street Bank and Trust Company	2,742	1.96
THE USHIO FOUNDATION	2,400	1.71
Northern Trust Company (AVFC) Sub Account American Client	2,262	1.62
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,041	1.46

* In addition to the above, the Company owns 6,077 thousand shares (4.35%) of treasury stock.
* Each of the investment banks listed in the upper portion of the major shareholders manages securities held by primarily Japanese institutional investors and are also the nominees for these investors.
Trust accounts refer to accounts entrusted with pension trusts, investment trusts, specified money trusts, and others by the institutional investors.

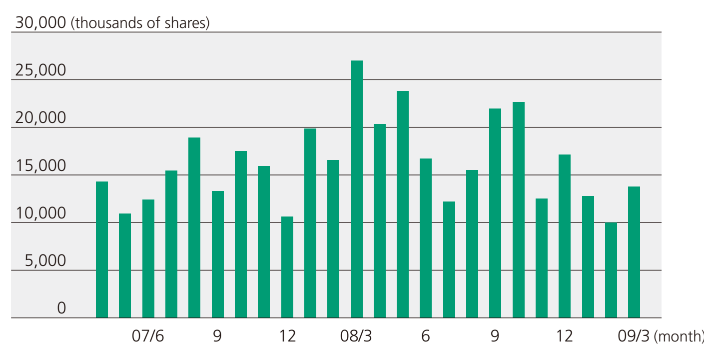
Composition of Shareholders



Stock price movement



Stock turnover



Corporate Data

Established	March 1964
Paid-in capital	¥19,556,326,316

Employees (as of March 31, 2009):	4,620
Parent company	1,721
Subsidiaries	
• Japan	506
• Overseas	2,393

Principal Business Units (as of March 31, 2009)

Parent company

USHIO INC.

Head office	Chiyoda-ku, Tokyo
Harima Division	Himeji-shi, Hyogo
Yokohama Division	Yokohama-shi, Kanagawa
Gotemba Division	Gotemba-shi, Shizuoka
Tokyo Sales Headquarters	Chiyoda-ku, Tokyo
Osaka Branch	Osaka-shi, Osaka

Japanese subsidiaries

USHIO LIGHTING, INC.
HYOGO USHIO LIGHTING, INC.
TSUKUBA USHIO ELECTRIC, INC.
XEBEX INC.
USHIO SPAX, INC.
GIGAPHOTON INC.
NIHON DENSHI GIJUTSU CO., LTD.
EPITEX INC.

4 other companies

Overseas subsidiaries

Manufacturing and R&D

North America	CHRISTIE DIGITAL SYSTEMS CANADA, INC.
	VISTA CONTROLS SYSTEMS, CORP.
Europe	BLV LICHT- UND VAKUUMTECHNIK GmbH
	XTREME technologies GmbH
Asia	USHIO PHILIPPINES, INC.
	USHIO (SUZHOU) CO., LTD.
	TAIWAN USHIO LIGHTING, INC.

Sales

North America	USHIO AMERICA, INC.
	USHIO CANADA, INC.
	CHRISTIE DIGITAL SYSTEMS U.S.A., INC.
Europe	USHIO EUROPE B.V.
	USHIO U.K., LTD.
	USHIO DEUTSCHLAND GmbH
	USHIO FRANCE S.A.R.L.
Asia	USHIO KOREA, INC.
	USHIO TAIWAN, INC.
	USHIO HONG KONG LTD.
	USHIO SINGAPORE PTE LTD.
	USHIO SHANGHAI, INC.

12 other companies

USHIO Lighting Edge Technologies

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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.
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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

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