

ANNUAL REPORT 2003

FOR THE YEAR ENDED MARCH 31, 2003

MAKING USHIO DIFFERENT
THE REASON WHY

USHIO

Tracing its origins back to Himeji Light Bulb Co., a manufacturer of home-use light bulbs established in 1916, Ushio Inc. began operations as a maker of industrial-use light sources in 1964.

Since that time, Ushio has developed light sources essential to a wide variety of industries, including lighting, office automation (OA), electronics, and imaging, as well as acquired the peripheral technologies necessary to create light products with a high degree of added value, such as computer control and precision machine control technologies. Drawing on this expertise, Ushio has expanded its business to include light units, light devices, and light systems.

The Ushio Group today is firmly positioned as an organization able to provide a complete lineup of light-related products, holds high global market shares and is well respected internationally.

PROFILE

CONTENTS

Consolidated Financial Highlights.....	1
Message from the Management.....	2
Principal Business Domains.....	4
Financial Section.....	8
Domestic Group Companies.....	29
Overseas Network.....	30
History.....	32
Investor Information and Stock Data.....	33

Future-oriented 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.

CONSOLIDATED FINANCIAL HIGHLIGHTS

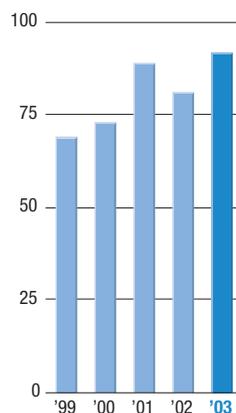
USHIO INC. AND SUBSIDIARIES
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
For the year:				
Net sales	¥ 91,937	¥ 81,301	¥ 89,138	\$ 764,867
Operating income	12,190	9,775	15,338	101,414
Net income	4,651	1,643	8,464	38,694
At the year-end:				
Total assets	¥149,390	¥149,669	¥137,758	\$1,242,845
Total shareholders' equity, net.....	105,582	106,837	93,262	878,387
Per share of common stock (yen and U.S. dollars):				
Net income	¥ 33.14	¥ 11.77	¥ 60.62	\$ 0.28
Cash dividends	13.00	13.00	15.00	0.11
Net assets	764.94	765.32	667.93	6.36

Note: Fiscal 2003 yen amounts have been translated into U.S. dollar amounts at ¥120.20=US\$1.00, the exchange rate prevailing on March 31, 2003.

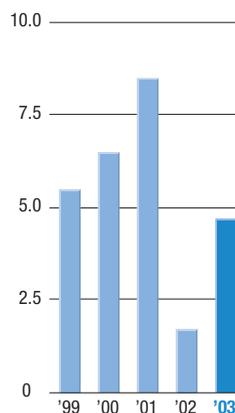
Net Sales

(Billions of yen)



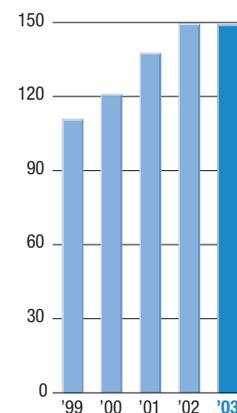
Net Income

(Billions of yen)



Total Assets

(Billions of yen)





New Visions — New Structures

Ushio takes on new challenges in the field of light systems integration.

As a "light creation" assemblage of companies, the Ushio Group increases the inherent value of the world light market through the application of the special qualities of light in a variety of fields. The Group commands the largest share of world markets for light sources in high-tech fields such as electronics and IT, and, through a refinement of the market-centric concept is working to conform its business activities even more closely to the needs of individual customer firms.

In addition to hardware sales, the Group aims to provide technical support services, equipment operation, and financial services such as leasing and loans, assisting manufacturers to conceptualize and realize entirely new modalities. Through these activities, the Group is working to become a light systems integrator, opening the way for the next generation of technical advances.

The Ushio Group is also building on the base it has established in the light solutions business to build new businesses involving new technologies and challenging social issues, in such fields as nanotechnology, biotechnology, medicine, and environmental science.

In a related development, this fiscal year the

Company introduced an internal company system. A great deal of authority has been assigned to each company, and each enjoys a substantial degree of autonomy. At the same time, the internal companies have responsibility for their own performance, including profit and loss, balance sheets, and cash flows. To promote its ongoing companywide structural reforms, Ushio is energetically strengthening its personnel structure by recruiting junior staff with a flexible mind-set and a strong motivation to attain goals.

As the trend toward globalization continues, The Company will heighten its competitiveness on the basis of these new structures.

Rely on the Ushio Group, as we take on new challenges in the effort to contribute to a better quality of life through the creation of light.

September 2003

A handwritten signature in black ink, appearing to read "Jiro Ushio". The signature is fluid and cursive.

JIRO USHIO

Chairman and Ushio Group Representative

Achieving the highest quality and the lowest prices through R&D and improved production technology will bring growth in revenues and profits.



The Ushio Group achieved growth in both revenues and profits for the fiscal year ended March 31, 2003. Consolidated net sales rose 13.1% to ¥91,937 million, operating income jumped 24.7% to ¥12,190 million, and net income soared 183.1% to ¥4,651 million.

The management environment remained severe during this year. In accordance with its medium- to long-term management strategies, the Group sought to expand its activities in the fields of digital projection and imaging, high-density mounting, and semiconductor photolithography.

Our U.S.-based subsidiary, Christie Digital Systems, Inc., has captured the top share of the world market for digital cinema projection systems. In addition to hardware such as projectors and light sources, Christie is strengthening its total support structure, including networking, maintenance, and other services.

Ushio has restructured its office-automation (OA) equipment lamp business, establishing a new manufacturing facility in Guangdong, China, in response to requests from customers. The relocation of manufacturing bases to other regions of Asia has strengthened the Company's cost competitiveness.

The Company succeeded in improving its

performance by expanding sales of ultraviolet irradiation equipment for mounting precision components in the Chinese market, and by expanding orders for excimer systems for LCD cleansing and precision exposure systems for printed circuit boards.

We do not see any indications of a recovery in the Japanese economy in the coming fiscal year. The outlook is even less clear than in the previous term. The Ushio Group will continue to pursue a multifaceted strengthening of its business base, emphasizing quality, primarily in growth fields, continuing to relocate manufacturing overseas and to strive for cost reductions, reinforcing and enhancing the efficiency of sales organizations, including those overseas, and boosting research and development in high-tech fields.

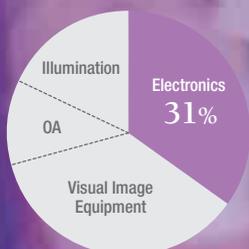
The Ushio Group requests your continued support and understanding.

September 2003

AKIHIRO TANAKA

President and Chief Executive Officer

Light sources for semiconductor photolithography World share **80%**
 Tape automated bonding (TAB) photolithography machines World share **100%**



ELECTRONICS

Ushio's light-source and light-application technologies play an important role in the fields of semiconductors, LCDs, and high-density mounting, which are central to key IT devices.

Semiconductor Manufacturing Equipment

Photolithography lamps facilitate the achievement of increasingly smaller line widths in semiconductor circuit patterns. Providing UV photolithography lamps for all the major stepper manufacturers, Ushio commands an 80% share of this market worldwide.

Gigaphoton, Inc., Ushio's joint venture established in August 2000 with Komatsu Ltd., is engaged in the development of light sources for next-generation semiconductor laser steppers, including krypton fluoride (KrF) and argon fluoride (ArF) excimer lasers.

In June 2002, Ushio and nine other leading Japanese manufacturers of light sources, exposure equipment, or semiconductors established the Extreme Ultraviolet Lithography System Development Association (EUVA), a national technological research consortium. Because the

development of new light sources is a central element of the consortium's research agenda, Ushio has a key role to play in current and future EUVA projects.



Lamp-stepper exposure systems

Displays

The Company is increasing its presence in the markets for liquid crystal displays (LCDs) and flat panel displays (FPDs), demand for which continues to expand. Ushio holds an 80% share of the world market for UV photolithography lamps used in manufacturing LCDs. In addition, our Excimer VUV/O₃ surface cleaning systems employing ultraviolet light to clean LCD substrates command almost 100% of the global market for such systems. Looking forward, with the advent of the UV metalization bonding method in the substrate mounting process, the importance of light in this field is set to expand even further.



The VUV/O₃ surface cleaning system is widely used in LCD and semiconductor manufacturing.

High-Density Mounting

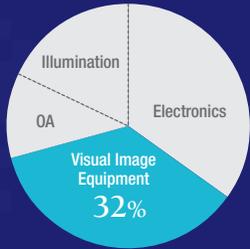
The Company has a virtual monopoly in tape automated bonding (TAB) photolithography machines and printed wiring board (PWB) photolithography machines, which are used to pattern circuits on advanced semiconductor substrates. Trends toward increasing miniaturization and greater functionality of mobile telephones and other portable communications devices necessitate the development of faster and smaller LSIs, which in turn implies the need for further technological innovation in the near future. Ushio's state-of-the-art printed circuit board photolithography technology is poised to

meet this need. Accordingly, we anticipate further expansion in this market.



A mobile telephone incorporating a printed circuit board manufactured using an Ushio exposure system.

Data-projector lamps World share **30%**
 Cinema projector lamps World share **55%**
 Cinema projectors World share **35%**



VISUAL IMAGE EQUIPMENT

With the IT era's digital imaging as its focus, Ushio is working to expand its cinema business and data-projector light source business.

Cinema Business

Ushio offers a complete lineup of cinema equipment, including lamps, projectors, and all related gear, primarily through U.S.-based subsidiary Christie Digital Systems, Inc. (CDS), acquired in 1992.

The first to market cinema-use digital projection systems, Ushio maintains the top share of the world market for this equipment. As new movie theater formats, particularly cinema complexes and "multiplex" cinemas, become more common in Japan and other parts of Asia, the entire Ushio Group is concertedly focusing on winning an increasing share of this expanding market.

Ushio's sales subsidiary Xebex, Inc., is far ahead of the competition, having sold some 70% of the digital projection equipment currently installed in Japanese movie theaters. During the fiscal year under review, Xebex supplied the cinema projector systems as well as advanced audio and screen facilities for the much-ballyhooed 12-screen Sapporo Cinema Frontier

complex in the JR Sapporo Station Building. Xebex continues to expand its digitally distributed on-screen advertising and a diverse array of other digital cinema businesses.

The Ushio Group's cinema business activities include not only the digital projection and sound systems required to screen movies but also the provision of a total service system that comprises interior and exterior movie house decor, networking, maintenance, and related services.



Digital Cinema Projection Systems from Christie Digital Systems, Inc.

Data Projectors

Ushio is the only light-source manufacturer to offer a full lineup of lamps used in data projectors, including high-luminance mercury lamps, new short-arc high-pressure (NSH) lamps, high-intensity projector lamps, metal-halide lamps, and xenon short-arc lamps. Leveraging its development capabilities to offer a comprehensive range of lamps for the smallest portable models up to large 1,000-watt units, Ushio continues to command the top share of

the market for data-projector light sources.

The market for data projectors used during seminars, business meetings, or whenever visual presentations are required is expanding rapidly and looks set to maintain steady growth into the future. Similarly, demand for home-use projection televisions is expected to increase in the near future. With this in mind, Ushio continues to develop leading-edge light sources applicable to the new field of projection TV.

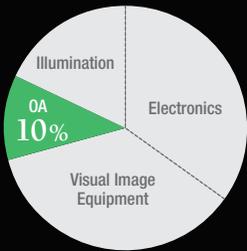


High-luminous-efficiency NSH lamps for data projectors



A data projector with high-luminous-efficiency NSH lamp installed

Halogen lamps World share 65%
 Rare-gas fluorescent lamps World share 65%



Ushio possesses a wealth of experience and a strong track record in the field of light sources used in office automation equipment, including photocopiers and printers, combination copier-printers, and facsimile machines. Light facilitates two key processes in the operation of these devices: scanning image data to receptors, and fixing images to paper with toner or ink.

Principal light sources in this field include halogen lamps for scanning, rare-gas fluorescent lamps, and halogen lamps for fixing toner. In recent years, environmental concerns have prompted a shift to energy-efficient rare-gas fluorescent lamps. Ushio supplies 61% of the halogen lamps and 71% of the rare-gas fluorescent lamps used by Ricoh, Xerox, Canon, Sharp, and the world's other major manufacturers of OA equipment. The Company has held the top global share of this market continuously since the advent of plain-paper copiers.

During the fiscal year under review, our new Panyu Plant in China's Guangdong Province commenced operations. This relocation of manufacturing capacity is in line with our policy of manufacturing in regions where we sell our

products. As well, the shift to China is part of the Group's restructuring of development and manufacturing operations in an effort to enhance operational efficiency and thereby ensure earnings stability.



Multifunction printer with Ushio halogen heater lamp installed

OA
EQUIPMENT



Exposure unit with rare-gas fluorescent lamp



Halogen heater lamp fusing unit

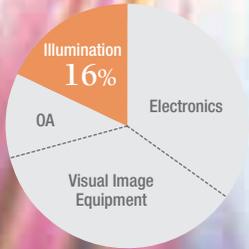


Flash lamp fusing unit for high-speed printer



Halogen lamp for scanner

Halogen lamps (HPL) World share **35%**
 Halogen lamps (JDR) Domestic share **55%**



Ushio offers illumination for a wide range of locations, from large-scale commercial spaces such as department stores and shopping centers to theaters, studios, theme parks, and event spaces. The Company also provides illumination for architectural, automotive, and marine applications, in addition to a full lineup of highly specialized light sources and related equipment for professional use.

The Ushio Group is also capable of providing total solutions that include not only various types of light sources and supporting equipment and materials but also design concepts, acoustics, fixtures, and fittings. Business opportunities in this field have grown in recent years, reflecting the trend toward fusing illumination, projection, and acoustics on an increasingly grand scale during productions at theme parks and event spaces.

Light sources used in the illumination field include halogen lamps, which offer great variety and dramatic effects, and xenon lamps, which like sun lamps closely approximate natural lighting. Recently, long-duration metal-halide lamps with their high luminous efficiency have become extremely popular, as have light-emitting diodes (LEDs). Accordingly, the Ushio Group is vigorously developing new equipment employing this new generation of light sources.



Halogen lamps (JDR)



Ceramic metal-halide lamps

ILLUMINATION



Architectural lighting



Fiber optic lighting systems



Spot lighting



Stage lighting

FINANCIAL SECTION

CONTENTS

Five-Year Summary of Consolidated Financial Data	9
Financial Review	10
Consolidated Balance Sheets	12
Consolidated Statements of Income	14
Consolidated Statements of Shareholders' Equity	15
Consolidated Statements of Cash Flows	16
Notes to Consolidated Financial Statements	17
Report of Independent Auditors	28
Domestic Group Companies	29
Overseas Network	30
History	32
Investor Information	33

FIVE-YEAR SUMMARY OF CONSOLIDATED FINANCIAL DATA

USHIO INC. AND SUBSIDIARIES

Years ended March 31, 2003, 2002, 2001, 2000 and 1999

	2003	2002	2001	2000	Millions of yen 1999
For the year:					
Net sales	¥ 91,937	¥ 81,301	¥ 89,138	¥ 73,109	¥ 69,216
Net income	4,651	1,643	8,464	6,525	5,454
Capital expenditures	2,692	4,837	4,960	2,027	4,612
Depreciation and amortization	2,889	2,813	2,604	2,675	2,778
R&D expenses	3,355	3,557	3,683	3,826	2,329
At the year-end:					
Total assets	149,390	149,669	137,758	121,230	111,080
Total shareholders' equity, net.....	105,582	106,837	93,262	87,566	81,301
Cash flows*:					
Net cash provided by operating activities	13,394	7,305	12,332	4,696	6,624
Net cash (used in) provided by investing activities.....	(6,524)	(7,496)	(5,660)	343	(10,439)
Net cash used in financing activities	(4,117)	(2,112)	(1,492)	(1,029)	(1,927)
Per share of common stock (yen):					
Net income	¥ 33.14	¥ 11.77	¥ 60.62	¥ 46.73	¥ 39.06
Cash dividends	13.00	13.00	15.00	12.00	11.00
Net assets	764.94	765.32	667.93	627.17	582.28
Key financial ratios:					
Return on equity (%)	4.4	1.6	9.4	7.7	6.9
Return on assets (%)	3.1	1.1	6.5	5.6	4.9
Asset turnover (times).....	0.6	0.6	0.7	0.6	0.6
Return on sales (%)	5.1	2.0	9.5	8.9	7.9

Note: Return on equity = (Net income / Average shareholders' equity) X 100

Return on assets = (Net income / Average total assets) X 100

Asset turnover = Net sales / Average total assets

Return on sales = (Net income / Net sales) X 100

* Beginning with the fiscal year ended March 31, 2000, principles for the preparation of consolidated cash flow statements were introduced in Japan, and these have been applied by the Company for the year under review. Cash flow statements for fiscal 1999 and previous years were prepared by the Company for the convenience of readers outside Japan. When making year-on-year comparisons, please take note of this change in accounting principles.

FINANCIAL REVIEW

USHIO INC. AND SUBSIDIARIES

OPERATING ENVIRONMENT

Amid a prolonged deflationary cycle in the Japanese economy, corporate capital investment and the stock market remained at low levels during the fiscal year under review. Compounded by lingering concerns, prospects for a recovery in the economy are bleak.

Moreover, the operating environment overseas was challenging as the recovery in the U.S. economy flattened, growth in the European economy remained weak, and an economic rebound in Asian countries, except the robust Chinese economy, failed to materialize.

Under these circumstances, Ushio aggressively invested in the development of new technologies and products for the core digital imaging business and the next generation of light sources for semiconductor exposure equipment and high-density mounting. The Company also strengthened the competitiveness of its products and fortified its management foundation by improving quality management, lowering costs, and increasing efficiency in business processes.

While promoting these measures, Ushio made aggressive efforts to expand sales of its ultraviolet irradiation equipment for the precision bonding of electronic and optical components in the Chinese market. In addition, the Company pushed forward with business and marketing activities to boost orders from the printed circuit board industry for step and repeat projection exposure systems for high-precision printed circuits. As a result of these efforts, consolidated net sales increased 13.1% to ¥91,937 million (US\$764.9 million).

GROUP COMPANIES

The Ushio Group is composed of Ushio Inc., 34 subsidiaries and 2 affiliated companies. In the fiscal year under review, subsidiary Ushio International Technologies, LLC was added to the scope of consolidation, while Christie International, Inc. was liquidated.

Due to a change in the fiscal year-end of 9 consolidated subsidiaries during the term under review, the accounting period is 15 months for these 8 subsidiaries and 14 months for one subsidiary. There was no material impact from this change in accounting periods on the consolidated financial statements.

RESULTS BY BUSINESS SEGMENT

Light Source Application Products

Total sales in the light source application products segment rose 13.5% to ¥88.2 billion (US\$733.9 million) from the previous term. By product, sales of the tube-style lamp product group advanced 11.3% to ¥54.8 billion (US\$455.9 million). As a core high-value-added product, tube-style lamps account for 60% of total sales in this segment. Sales of the optical systems product group climbed 17% to ¥33.4 billion (US\$277.9 million), accounting for 37.9% of total sales in the segment.

In the tube-style lamp product group, demand for halogen lamps is on the decline as demand shifts from halogen lamps for OA equipment to highly functional, high-value-added rare-gas fluorescent lamps. However, demand is increasing for ultra-high pressure mercury lamps for semiconductor exposure, and demand remains

strong for xenon lamps for cinema movie projectors, as well as lamps for stage lighting and general illumination.

In the optical systems product group, demand increased for excimer VUV/O₃ cleaning systems for LCD panels, ultraviolet irradiation systems for precision component bonding, and large-scale imaging systems. Demand continued to be robust for precision exposure systems for printed circuit boards.

As a result, operating income for the segment surged 23.7% to ¥12,151 million (US\$101.1 million). Sales of the light source application products segment comprised 96% of consolidated net sales during the term under review.

Machinery for Industrial Uses and Other Business

Total sales in the machinery for industrial uses and other business segment rose 3.5% to ¥3,740 million (US\$31.1 million). While demand for automatic control systems declined due to restrained capital investment, demand increased for injection molding machines. Operating income for the segment totaled ¥39 million (US\$0.3 million).

RESULTS BY GEOGRAPHIC SEGMENT

Japan

In Japan, demand fell for halogen lamps for OA equipment, but increased for ultraviolet irradiation equipment for precision component bonding, excimer lamps and cleaning systems for LCD panels, rare-gas fluorescent lamps for OA equipment, and ultra-high pressure mercury lamps for LCD exposure systems. Demand remained strong for precision exposure systems for printed circuits. As a result, total sales in Japan increased 6.4% to ¥59,675 million (US\$496.5 million).

North America

In North America, Ushio strengthened its total support structure from hardware to software in the cinema business, and sales increased for large-scale imaging systems at subsidiary Christie Digital Systems, Inc. As a result, total sales in this region grew 18.7% to ¥25,444 million (US\$211.7 million).

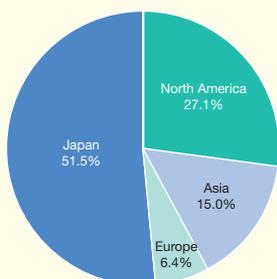
Europe

In Europe, sales of halogen lamps for OA equipment fell. Sales increased, however, for lamps for stage lighting and general illumination, as well as xenon lamps for cinema movie projectors. As a consequence, total sales in Europe expanded 7.8% to ¥6,570 million (US\$54.7 million).

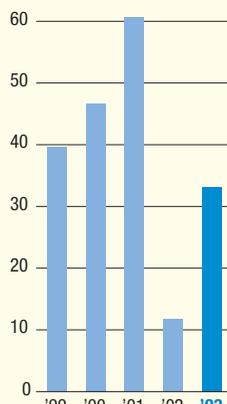
Asia

The LCD market was robust in Asia, resulting in higher demand for excimer lamps for LCD panel cleaning systems and ultra-high pressure mercury lamps for LCD exposure systems. Demand also increased for high-luminance mercury lamps for data projectors and ultraviolet irradiation equipment for precision component bonding, while demand remained strong for precision exposure equipment for printed circuits. As a result, total sales in Asia jumped 51.9% to ¥15,204 million (US\$126.5 million).

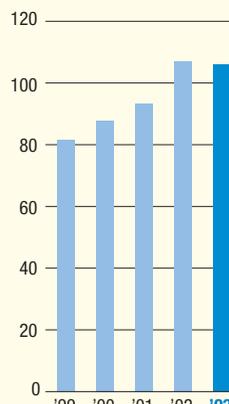
Proportion of Net Sales by Geographic Segment



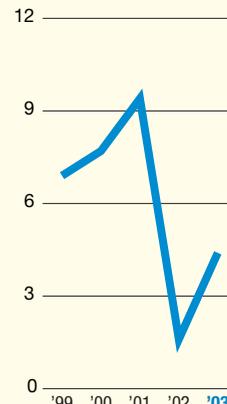
Net Income per Share (Yen)



Total Shareholders' Equity (Billions of yen)



Return on Equity (%)



OVERSEAS SALES

During the fiscal year under review, overseas sales rose 23.3% to ¥45,347 million (US\$377.3 million). Of this amount, North America accounted for ¥19,980 million (US\$166.2 million), Europe ¥7,583 million (US\$63.1 million), Asia ¥16,495 million (US\$137.2 million) and other regions ¥1,289 million (US\$10.7 million). Overseas sales made up 49.3% of consolidated net sales, an increase of 4.1 percentage points from the previous term.

EARNINGS

Along with higher net sales, cost of sales increased 13.6%. Gross profit rose 12.3% to ¥33,271 million (US\$276.8 million). The cost of sales ratio was 63.8% and the gross profit to net sales ratio was 36.2%, on par with the previous term.

Selling, general and administrative (SG&A) expenses were held to an increase of 6.1%, owing to efficiency gains and cost reductions in production and marketing. Consequently, consolidated operating income advanced 24.7% to ¥12,190 million (US\$101.4 million). The operating income margin rose 1.3 percentage points to 13.3%.

Interest and dividend income fell 16.3% to ¥1,214 million (US\$10.1 million). Overall, other expenses totaled ¥5,029 million (US\$41.8 million), a decrease of 11.1% from the previous term. Other expenses included ¥2,336 million (US\$19.4 million) in losses on the revaluation of investment securities, ¥1,280 million (US\$10.6 million) in losses on revaluation of fixed assets from the sale of land to UIS Co., Ltd., and ¥950 million (US\$7.9 million) from the disposal of residual balances in the consolidated adjustment account related to Ushio International Technologies, Inc. Income before income taxes and minority interests in earnings of affiliates soared 73.8% to ¥7,161 million (US\$59.6 million). As a result, net income climbed 183.1% to ¥4,651 million (US\$38.7 million).

CASH FLOWS

Net cash provided by operating activities was ¥13,394 million (US\$111.4 million), an increase of ¥6,089 million (US\$50.7 million) from the previous fiscal year, owing mainly to higher net income. Working capital amounted to ¥49,532 million (US\$412.1 million), reflecting an increase in notes and accounts receivable of ¥2,650 million (US\$22.0 million). Income taxes paid totaled ¥2,403 million (US\$20.0 million), due to the low level of net income in the previous fiscal year.

Net cash used in investing activities was ¥6,524 million (US\$54.3 million), a decrease of ¥972 million (US\$8.1 million) from the previous fiscal year. The decrease was mainly due to ¥1,500 million (US\$12.5 million) in additional financing provided to equity-method subsidiary Gigaphoton, Inc.

Net cash used in financing activities totaled ¥4,117 million (US\$34.3 million), an increase of ¥2,005 million (US\$16.7 million) from a year earlier. The main use of cash was ¥1,955 million (US\$16.3 million) for the purchase of treasury stocks.

As a result of these activities, cash and cash equivalents at end of the year

increased ¥2,282 million (US\$19.0 million) to ¥24,771 million (US\$206.1 million).

The interest coverage ratio was 43.7 times. The Company ensures that it has sufficient leeway for making interest payments.

FINANCIAL POSITION

As of March 31, 2003, total assets were ¥149,390 million (US\$1,242.8 million), a decrease of ¥279 million (US\$2.3 million) from a year earlier.

Cash and bank deposits increased ¥5,646 million (US\$47.0 million) due to the maturity of investment trusts. Inventory turnover improved to 6 times, up from 5.1 times in the previous fiscal year due to higher efficiency. As a result, total current assets rose 9.4% year-on-year to ¥79,247 million (US\$659.3 million).

Property, plant and equipment, net decreased 8.4% to ¥23,142 million (US\$192.5 million), owing mainly to the revaluation of land. Total investment and other assets decreased 9.7% to ¥47,001 million (US\$391.0 million), owing to valuation losses recorded in accordance with the introduction of mark-to-market accounting.

Ushio maintained a sound financial position. The current ratio was 266.7%, an increase from 248.5% in the previous fiscal year. The fixed assets ratio was 73.6%, up from 72.3% in the previous term.

Shareholders' equity totaled ¥105,582 million (US\$878.4 million), a decrease of ¥1,255 million (US\$10.4 million) owing to the acquisition of treasury stock of ¥2,000 million (US\$16.6 million) and translation adjustments of ¥1,191 million (US\$9.9 million). The shareholders' equity ratio remained at a high level of 70.7%, compared with 71.4% in the previous fiscal year.

CAPITAL EXPENDITURES

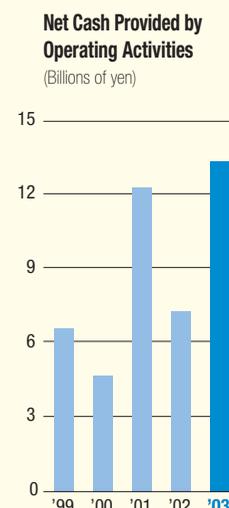
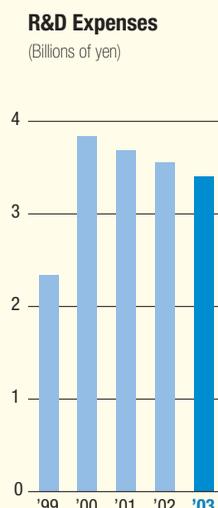
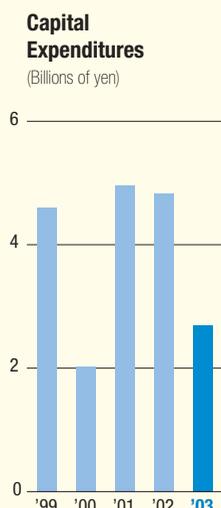
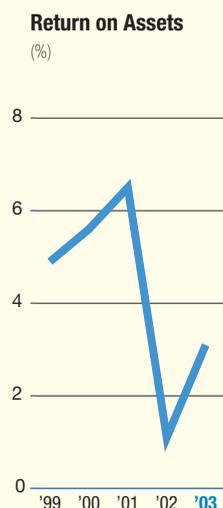
Ushio did not undertake large-scale investment to increase production during the term under review. Given the uncertainty of the economy in the future, the Company restrained capital expenditures to ¥2,692 million (US\$22.4 million), a reduction of 44.3% from the previous fiscal year.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses were reduced 5.7% to ¥3,355 million (US\$27.9 million). To promote medium- and long-term growth in its core businesses, Ushio conducts research and development in fields where it can maximize its strengths in light source and illumination technology, including digital imaging, light sources for semiconductor exposure systems, and high-precision mounting equipment.

PERSONNEL

The total number of Group personnel was 3,889 as of March 31, 2003, an increase of 183 employees from a year earlier. Overseas personnel increased by 142 employees overall, owing mainly to an increase of 160 personnel at Ushio Hong Kong Ltd. (UHK) in line with the transfer of production of OA equipment lamps. In Japan, the number of employees rose by 41, including an increase of 32 personnel at Ushio Inc.



CONSOLIDATED BALANCE SHEETS

USHIO INC. AND SUBSIDIARIES
At March 31, 2003 and 2002

Assets	(Millions of yen)	(Thousands of U.S. dollars)	
	2003	2002	
		(Note 2)	
		2003	
Current assets:			
Cash and bank deposits.....	¥ 17,899	¥ 12,253	\$ 148,910
Short-term investments (Note 8).....	11,107	12,513	92,404
Notes and accounts receivable (Note 3).....	27,463	25,252	228,478
Less: Allowance for doubtful accounts.....	(414)	(339)	(3,444)
Inventories (Note 3).....	15,319	15,727	127,446
Deferred tax assets (Note 5).....	2,545	2,058	21,173
Prepaid expenses and other current assets.....	5,328	4,893	44,326
Total current assets.....	79,247	72,357	659,293
Property, plant and equipment, at cost:			
Land.....	8,117	9,533	67,529
Buildings and structures.....	17,298	16,841	143,910
Machinery and equipment (Note 3).....	23,814	24,072	198,120
Construction in progress.....	707	511	5,882
	49,936	50,957	415,441
Less: Accumulated depreciation.....	(26,794)	(25,695)	(222,912)
Property, plant and equipment, net.....	23,142	25,262	192,529
Investments and other assets:			
Investment securities (Note 8).....	38,633	42,523	321,406
Investments in and advances to affiliates.....	433	—	3,602
Deferred tax assets (Note 5).....	664	773	5,524
Other assets.....	7,271	8,754	60,491
Total investments and other assets.....	47,001	52,050	391,023
Total assets	¥149,390	¥149,669	\$1,242,845

See notes to consolidated financial statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Liabilities, minority interests and shareholders' equity	2003	2002	2003
Current liabilities:			
Short-term bank loans (Note 3).....	¥ 8,236	¥ 8,549	\$ 68,519
Current portion of long-term debt (Note 3)	139	1,835	1,156
Notes and accounts payable	13,569	12,019	112,887
Income taxes payable	2,326	1,669	19,351
Deferred tax liabilities (Note 5).....	8	44	67
Other current liabilities.....	5,437	4,999	45,232
Total current liabilities	29,715	29,115	247,212
Long-term liabilities:			
Long-term debt (Note 3)	3,924	2,838	32,646
Deferred tax liabilities (Note 5).....	6,945	8,166	57,779
Retirement benefits (Note 10)	1,804	1,346	15,008
Other long-term liabilities	671	582	5,582
Total long-term liabilities	13,344	12,932	111,015
Minority interests	749	785	6,231
Shareholders' equity (Notes 4 and 11):			
Common stock:			
Authorized—300,000,000 shares;			
Issued—139,628,721 shares	19,556	19,556	162,696
Additional paid-in capital	28,119	28,119	233,935
Retained earnings.....	48,897	46,116	406,797
Unrealized holding gain on other securities	12,201	13,007	101,506
Translation adjustments.....	(1,191)	84	(9,908)
	107,582	106,882	895,026
Treasury stock, at cost:			
1,668,542 shares in 2003 and 29,447 shares in 2002.....	(2,000)	(45)	(16,639)
Total shareholders' equity, net.....	105,582	106,837	878,387
Total liabilities, minority interests and shareholders' equity	¥149,390	¥149,669	\$1,242,845

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

USHIO INC. AND SUBSIDIARIES
Years ended March 31, 2003 and 2002

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	(Note 2) 2003
Net sales	¥91,937	¥81,301	\$764,867
Cost of sales	58,666	51,661	488,070
Gross profit.....	33,271	29,640	276,797
Selling, general and administrative expenses (Note 6)	21,081	19,865	175,383
Operating income	12,190	9,775	101,414
Other income (expenses):			
Interest and dividend income	1,214	1,450	10,100
Interest expense	(295)	(412)	(2,454)
Other, net	(5,948)	(6,693)	(49,484)
	(5,029)	(5,655)	(41,838)
Income before income taxes and minority interests in earnings of affiliates.....	7,161	4,120	59,576
Income taxes (Note 5):			
Current	3,101	2,404	25,799
Deferred	(664)	(29)	(5,524)
	2,437	2,375	20,275
Income before minority interests in earnings of affiliates.....	4,724	1,745	39,301
Minority interests in earnings of affiliates	(73)	(102)	(607)
Net income (Note 11).....	¥ 4,651	¥ 1,643	\$ 38,694

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

USHIO INC. AND SUBSIDIARIES
Years ended March 31, 2003 and 2002

	(Millions of yen)	(Thousands of U.S. dollars) (Note 2)
	2003	2002
Common stock		
Balance at beginning of year (2003 – 139,628,721 shares; 2002 – 139,628,721 shares).....	¥19,556	¥19,556
Balance at end of year (2003 – 139,628,721 shares; 2002 – 139,628,721 shares).....	¥19,556	¥19,556
Additional paid-in capital		
Balance at beginning of year.....	¥28,119	¥28,119
Balance at end of year.....	¥28,119	¥28,119
Retained earnings (Note 11)		
Balance at beginning of year.....	¥46,116	¥46,635
Add:		
Net income.....	4,651	1,643
Deduct:		
Cash dividends.....	(1,814)	(2,095)
Bonuses to directors and corporate auditors.....	(56)	(67)
Balance at end of year.....	¥48,897	¥46,116
Unrealized holding gain on other securities		
Balance at beginning of year.....	¥13,007	¥ —
Net change during the year.....	(806)	13,007
Balance at end of year.....	¥12,201	¥13,007
Translation adjustments		
Balance at beginning of the year.....	¥ 84	¥ (1,047)
Net change during the year.....	(1,275)	1,131
Balance at end of year.....	¥(1,191)	¥ 84

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

USHIO INC. AND SUBSIDIARIES
Years ended March 31, 2003 and 2002

	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
	2003	2002	2003
Operating activities:			
Income before income taxes and minority interests in earnings of affiliates.....	¥ 7,161	¥ 4,120	\$ 59,576
Depreciation and amortization	2,889	2,813	24,035
Interest and dividend income	(1,214)	(1,450)	(10,100)
Interest expense	295	412	2,454
Equity in losses of affiliates.....	986	1,053	8,203
Loss on revaluation of investment securities	2,336	5,010	19,434
Decrease (increase) in notes and accounts receivable	(2,650)	5,785	(22,047)
Increase in inventories.....	(66)	(54)	(549)
(Decrease) increase in notes and accounts payable	1,630	(4,952)	13,561
Other	3,664	(234)	30,484
Bonuses paid to directors and corporate auditors.....	(56)	(67)	(466)
Subtotal	14,975	12,436	124,585
Interest and dividends received	1,128	1,413	9,384
Interest paid	(306)	(440)	(2,546)
Income taxes paid	(2,403)	(6,104)	(19,992)
Net cash provided by operating activities	13,394	7,305	111,431
Investing activities:			
Increase in time deposits	(2,016)	(338)	(16,772)
Decrease in time deposits.....	1,835	273	15,266
Purchases of short-term investments	(660)	(1,850)	(5,491)
Proceeds from sale of short-term investments.....	1,126	1,277	9,368
Purchases of property, plant and equipment	(2,913)	(5,118)	(24,235)
Proceeds from sale of property, plant and equipment	38	382	316
Increase in investment securities.....	(4,352)	(1,170)	(36,206)
Proceeds from sale of investment securities	265	1,390	2,205
Increase in investments in capital.....	(100)	(560)	(832)
Decrease in investments in capital.....	39	69	324
Increase in long-term loans	(1,157)	(1,785)	(9,626)
Decrease in long-term loans.....	1,306	505	10,865
Other	65	(571)	541
Net cash used in investing activities	(6,524)	(7,496)	(54,277)
Financing activities:			
Increase in short-term bank loans	283	1,248	2,354
Proceeds from long-term bank loans	1,280	2,383	10,649
Repayment of long-term debt	(1,878)	(3,565)	(15,624)
Purchase of treasury stocks.....	(1,955)	—	(16,264)
Payment of dividends to minority interests.....	(32)	(47)	(266)
Cash dividends paid to shareholders of the Company.....	(1,815)	(2,095)	(15,100)
Other	—	(36)	—
Net cash used in financing activities	(4,117)	(2,112)	(34,251)
Effect of exchange rate changes on cash and cash equivalents	(471)	397	(3,918)
Net increase (decrease) in cash and cash equivalents	2,282	(1,906)	18,985
Cash and cash equivalents at beginning of the year	22,489	24,395	187,097
Cash and cash equivalents at end of the year (Note 12).....	¥24,771	¥22,489	\$206,082

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

USHIO INC. AND SUBSIDIARIES
March 31, 2003

1. Summary of Significant Accounting Policies

(a) Basis of presentation

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

The accompanying consolidated financial statements have been prepared from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. Accordingly, the consolidated financial position, results of operations and cash flows presented in the accompanying financial statements may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

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

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

Certain subsidiaries changed their closing dates from December 31 and January 31 to March 31 and the accounting periods are 15 months and 14 months this year, respectively. The effect of these changes, however, was not material.

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

All assets and liabilities of the consolidated subsidiaries and affiliates are revalued on acquisition, if applicable, and the excess of cost over underlying net equity in assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged or credited to income when incurred if immaterial.

(c) Foreign currency translation

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

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

(d) Cash equivalents

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

(e) Short-term investments and investment securities

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

(f) Inventories

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

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

(g) Depreciation and amortization

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

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

Intangible assets are amortized by the straight-line method.

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

(h) Leases

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

(i) Research and development expenses

Research and development expenses are charged to income when incurred.

(j) Allowance for doubtful accounts

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

(k) Allowance for employees' bonuses

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

(l) Retirement and severance benefits

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

The Company and certain of its subsidiaries provide for retirement allowances for directors and corporate auditors at the full amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date based on the Company and certain subsidiaries' internal regulations.

The Company and certain of its subsidiaries participate in a contributory defined benefit pension plan, which entitles employees of the Company and these subsidiaries upon retirement to either a lump-sum payment or pension annuity payments for life, or a combination of both, based on length of service, basic salary at the time of retirement and the number of years of participation in the plan.

(m) Derivative financial instruments

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

(n) 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 tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 14.

2. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements with respect to the year ended March 31, 2003 have been presented in U.S. dollars by translating all yen amounts at ¥120.20 = US\$1.00, the exchange rate prevailing on March 31, 2003. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

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

Short-term bank loans consisted mainly of unsecured and secured loans payable to banks at interest rates ranging from 0.53% to 9.00% and from 0.53% to 9.50% per annum at March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
USHIO INC.:			
Loans from banks, due through 2005 at rates from 0.64% to 0.68%.....	¥2,940	¥3,200	\$24,459
Subsidiaries:			
Loans from banks, due through 2007 at rates from 0.50% to 5.80%.....	1,123	1,473	9,343
Total long-term debt.....	4,063	4,673	33,802
Less: Current portion.....	139	1,835	1,156
	¥3,924	¥2,838	\$32,646

The assets pledged as collateral for debt at March 31, 2003 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Accounts receivable.....	¥ 56	\$ 466
Inventories.....	111	923
Machinery and equipment.....	28	233
	¥ 195	\$ 1,622

The related debt for which the above assets were pledged as collateral at March 31, 2003 is summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Short-term bank loans.....	¥ 65	\$ 541
Current portion of long-term debt.....	16	133
Long-term debt.....	9	75
	¥ 90	\$ 749

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2004.....	¥ 139	\$ 1,156
2005.....	3,106	25,840
2006.....	466	3,877
2007.....	102	849
2008.....	250	2,080
	¥4,063	\$33,802

4. Treasury Stock, Legal Reserve and Additional Paid-in Capital

Effective the year ended March 31, 2003, the Company and consolidated subsidiaries adopted a new accounting standard for treasury stock and reversal of legal reserves (Accounting Standard No. 1 announced by the Accounting Standard Board of Japan; "ASBJ"), which took effect on April 1, 2002.

Under the new rules, the net gain or loss on disposal of treasury stock are accounted for as capital transactions, while, until the year ended March 31, 2002, such gain or loss had been included in the calculation of net income. The new standard also addresses the accounting for the reversal of legal reserves and prohibits transfers between retained earnings (either appropriated or not) and additional paid-in capital. However, there was not significant impact on net income for the current year resulting from this adoption.

5. Income Taxes

Income taxes applicable to the Company and certain of its domestic subsidiaries comprised of corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 42.1% for 2003 and 2002. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
Deferred tax assets:			
Enterprise tax payable.....	¥ 225	¥ 123	\$ 1,872
Allowance for employees' bonuses	631	499	5,250
Retirement benefit expenses.....	1,283	1,231	10,673
Allowance and accrual for retirement benefits for directors and corporate auditors	660	604	5,491
Net loss carryforward.....	611	817	5,083
Other	1,977	1,532	16,447
Total deferred tax assets	5,387	4,806	44,816
Deferred tax liabilities:			
Unrealized holding gain on other securities	(8,360)	(9,557)	(69,551)
Depreciation	—	(30)	—
Gain on contribution of securities to employees' retirement benefit trust	(533)	(551)	(4,434)
Other	(238)	(47)	(1,980)
Total deferred tax liabilities.....	(9,131)	(10,185)	(75,965)
Net deferred tax liabilities.....	¥ (3,744)	¥ (5,379)	\$ (31,149)

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the years ended March 31, 2003 and 2002 is summarized as follows:

	2003	2002
Statutory tax rate.....	42.1%	42.1%
Reconciliation		
Equity in losses of affiliates	5.8	10.8
Increase (decrease) in valuation allowance for deferred tax assets	(1.5)	2.9
Income unrecognized for income tax purposes.....	(3.3)	(3.6)
Expense non-deductible for income tax purposes.....	3.6	4.5
Different tax rates applied to foreign subsidiaries	(8.0)	(7.3)
Other	(4.7)	8.2
Effective tax rate	34.0%	57.6%

6. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2003 and 2002 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
	¥3,355	¥3,557	\$27,912

7. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2003 and 2002, which would have been reflected in the consolidated balance sheets if lease accounting had been applied to finance leases currently accounted for as operating leases.

	(Millions of yen)		
	Machinery and vehicles	Other (tools and equipment)	Total
March 31, 2003			
Acquisition costs	¥ 97	¥ 471	¥ 568
Accumulated depreciation	50	209	259
Book value.....	¥ 47	¥ 262	¥ 309

	(Thousands of U.S. dollars)		
Acquisition costs	\$ 807	\$3,918	\$ 4,725
Accumulated depreciation	416	1,739	2,155
Book value.....	\$ 391	\$2,179	\$ 2,570

	(Millions of yen)		
	Machinery and vehicles	Other (tools and equipment)	Total
March 31, 2002			
Acquisition costs	¥ 99	¥ 624	¥ 723
Accumulated depreciation	60	298	358
Book value.....	¥ 39	¥ 326	¥ 365

Lease expenses relating to finance leases accounted for as operating leases for the years ended March 31, 2003 and 2002 were ¥150 (\$1,248 thousand) million and ¥164 million, respectively. The following pro forma amounts represent interest expense and depreciation for the years ended March 31, 2003 and 2002, which would have been reflected in the statements of income if lease accounting had been applied to finance leases currently accounted for as operating leases.

Years ended March 31	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
Interest expense	¥ —	¥ —	\$ —
Depreciation	150	164	1,248

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2003 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 subsidiaries, are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year or less	¥ 121		\$ 1,006
Due subsequent to one year	188		1,564
Total	¥ 309		\$ 2,570

The amount of future minimum lease payments is less than the threshold indicated by the accounting board of the Japanese Institute of Certified Public Accountants, accordingly, acquisition costs of the leased assets and future minimum lease payments include interests thereon. The inclusion of interest is insignificant.

**8. Short-Term
Investments and
Investment Securities**

Information regarding securities classified as trading securities, held-to-maturity securities and other securities as of March 31, 2003 and 2002 is as follows:

1. Trading securities

As of March, 31 2003	(Millions of yen)		(Thousands of U.S. dollars)	
	Carrying value	Loss	Carrying value	Loss
	¥ 394	¥ (96)	\$3,278	\$(799)

As of March 31, 2002	(Millions of yen)	
	Carrying value	Loss
	¥ 556	¥(218)

2. Marketable held-to-maturity debt securities

As of March, 31 2003	(Millions of yen)			(Thousands of U.S. dollars)		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:						
(1) Government bonds, municipal bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
(2) Corporate bonds	374	375	1	3,111	3,120	9
(3) Other	—	—	—	—	—	—
Subtotal	374	375	1	3,111	3,120	9
Securities whose carrying value exceeds their estimated fair value:						
(1) Government bonds, municipal bonds	—	—	—	—	—	—
(2) Corporate bonds	129	128	(1)	1,073	1,064	(9)
(3) Other	—	—	—	—	—	—
Subtotal	129	128	(1)	1,073	1,064	(9)
Total	¥503	¥503	¥ 0	\$4,184	\$4,184	\$0

As of March, 31 2002	(Millions of yen)		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
(1) Government bonds, municipal bonds	¥ 1	¥ 1	¥ 0
(2) Corporate bonds	200	202	2
(3) Other	—	—	—
Subtotal	201	203	2
Securities whose carrying value exceeds their estimated fair value:			
(1) Government bonds, municipal bonds	—	—	—
(2) Corporate bonds	114	109	(5)
(3) Other	—	—	—
Subtotal	114	109	(5)
Total	¥ 315	¥ 312	¥ (3)

3. Marketable other securities

As of March 31, 2003	(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.....	¥ 5,352	¥24,443	¥19,091	\$ 44,526	\$203,353	\$158,827
(2) Bonds						
Government bonds, municipal bonds.....	4,287	5,639	1,352	35,665	46,913	11,248
Corporate bonds.....	3,371	3,930	559	28,045	32,696	4,651
Other.....	—	—	—	—	—	—
(3) Other.....	—	—	—	—	—	—
Subtotal.....	13,010	34,012	21,002	108,236	282,962	174,726
Securities whose acquisition cost exceeds their carrying value:						
(1) Stock.....	4,258	3,695	(563)	35,425	30,741	(4,684)
(2) Bonds						
Government bonds, municipal bonds.....	—	—	—	—	—	—
Corporate bonds.....	1,690	1,682	(8)	14,060	13,993	(67)
Other.....	104	104	—	865	865	—
(3) Other.....	962	899	(63)	8,003	7,479	(524)
Subtotal.....	7,014	6,380	(634)	58,353	53,078	(5,275)
Total.....	¥20,024	¥40,392	¥20,368	\$166,589	\$336,040	\$169,451

4. Other securities sold during the years ended March 31, 2003 and 2002

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
Sale of securities.....	¥7,948	¥20,714	\$66,123
Gain on sale.....	90	278	749
Loss on sale.....	60	5	499

5. Non-marketable securities

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
	Carrying value		Carrying value
(1) Held-to-maturity securities.....	¥ —	¥ 315	\$ —
(2) Other securities:			
Unlisted stocks (excluding over-the-counter traded securities).....	1,026	1,204	8,536
Medium-term governmental bond funds.....	—	1,091	—
Money management funds.....	5,421	1,887	45,100
Free financial funds.....	2,000	2,000	16,639

6. The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity securities as of March 2003 is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
1. Bonds.....						
(1) Government bonds, municipal bonds..	¥ 1,202	¥ 4,026	¥ —	\$ 10,000	\$ 33,494	\$ —
(2) Corporate bonds.....	1,574	2,429	420	13,095	20,208	3,494
(3) Other.....	—	—	—	—	—	—
2. Other.....	—	—	—	—	—	—
Total.....	¥ 2,776	¥ 6,455	¥ 420	\$ 23,095	\$ 53,702	\$ 3,494

9. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2003, and 2002:

(Currency-related transactions)

As of March 31, 2003	(Millions of yen)			(Thousands of U.S. dollars)		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Bi-Lateral Transaction:						
Forward foreign exchange contracts						
Sell: US\$	¥349	¥348	¥ 1	\$ 2,903	\$2,895	\$ 8
Euro	247	255	(8)	2,055	2,121	(66)
Total	¥596	¥603	¥(7)	\$ 4,958	\$5,016	\$(58)

As of March 31, 2002	(Millions of yen)		
	Notional amount	Fair value	Unrealized gain (loss)
Bi-Lateral Transaction:			
Forward foreign exchange contracts			
Sell: US\$	¥1,299	¥1,296	¥ (3)
Buy: US\$	19	19	0
Total	¥1,318	¥1,315	¥ (3)

10. Retirement Benefits Plans

The Company and certain of its consolidated subsidiaries have defined benefit plans such as welfare pension fund plans and lump-sum payment plans, covering substantially all employees who are entitled to annuity or lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The Company has established an employees' retirement benefit trust.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
(1) Retirement benefit obligation	¥(12,368)	¥(11,062)	\$(102,895)
(2) Plan assets at fair value (including the trust fund for retirement benefits)	7,520	8,540	62,562
(3) Unfunded net retirement benefit obligation (1)+(2)	(4,848)	(2,522)	(40,333)
(4) Unrecognized actuarial gain or loss	4,839	2,822	40,258
(5) Unrecognized prior service cost (Note 2)	(625)	(671)	(5,200)
(6) Accrued retirement benefits (3)+(4)+(5)	¥ (634)	¥ (371)	\$ (5,275)

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

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
(1) Service cost	¥ 765 ^{1,2}	¥ 612 ^{1,2}	\$ 6,364
(2) Interest cost	323	332	2,687
(3) Expected return on plan assets	(256)	(213)	(2,130)
(4) Amortization of actuarial gain or loss	190	32	1,581
(5) Amortization of prior service cost	(45)	(18)	(374)
Total retirement benefit expenses	¥ 977	¥ 745	\$ 8,128

Notes: 1. The employees' portion of the contributions to the welfare pension plans has been excluded.
2. The retirement benefit expenses of the consolidated subsidiaries which adopted the simplified method have been included in (1) service cost.

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

(As of March 31)	2003	2002
Discount rate	3.0%	3.0%
Expected return on plan assets	4.5%	4.0%
Actuarial cost method	Unit credit method	
Amortization period of prior service cost	15 years (straight-line method)	
Amortization period of actuarial gain or loss	15 years (straight-line method)	

11. Amounts Per Share

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

Years ended March 31,	(Yen)		(U.S. dollars)
	2003	2002	2003
Net income.....	¥ 33.14	¥ 11.77	\$ 0.28
Net assets.....	764.94	765.32	6.36

Per share amounts assuming full dilution have not been presented because no common stock equivalents remained outstanding as of March 31, 2003 and 2002.

Effective the year ended March 31, 2003, the Company and its consolidated subsidiaries have adopted a new accounting standard for earnings per share (Accounting Standard No. 2 announced by the ASBJ) and an accounting implementation guidance on a revised accounting standard for earnings per share (Accounting Standard Implementation Guidance No. 4 issued by the ASBJ), which took effect on April 1, 2002. However, this new standard had no material impact on the amounts per share.

12. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2003 and 2002:

	(Millions of yen)		(Thousands of U.S. dollars)
	2003	2002	2003
Cash and bank deposits	¥17,899	¥12,253	\$148,910
Time deposits with a maturity of more than three months	(617)	(458)	(5,133)
Short-term investments.....	11,107	12,513	92,404
Equity and debt securities with a maturity of more than three months	(3,618)	(1,819)	(30,099)
Cash and cash equivalents.....	¥24,771	¥22,489	\$206,082

13. Segment Information

The business and geographical segment information and overseas sales for the Company and its subsidiaries for the years ended March 31, 2003 and 2002 are outlined as follows:

Business segments

Year ended March 31, 2003	(Millions of yen)				
	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥ 88,207	¥ 3,730	¥ 91,937	¥ —	¥ 91,937
Intersegment sales or transfers	10	10	20	(20)	—
Total sales	88,217	3,740	91,957	(20)	91,937
Operating expenses	76,066	3,701	79,767	(20)	79,747
Operating income.....	¥ 12,151	¥ 39	¥ 12,190	¥ —	¥ 12,190
II. Total assets, depreciation and capital expenditures					
Total assets	¥103,416	¥ 7,167	¥110,583	¥ 38,807	¥ 149,390
Depreciation.....	2,829	60	2,889	—	2,889
Capital expenditures.....	2,252	440	2,692	—	2,692

(Thousands of U.S. dollars)					
I. Sales and operating income					
Sales to external customers	\$733,835	\$31,032	\$764,867	\$ —	\$ 764,867
Intersegment sales or transfers	82	83	165	(165)	—
Total sales	733,917	31,115	765,032	(165)	764,867
Operating expenses	632,827	30,791	663,618	(165)	663,453
Operating income.....	\$101,090	\$ 324	\$101,414	\$ —	\$ 101,414
II. Total assets, depreciation and capital expenditures					
Total assets	\$860,366	\$59,626	\$919,992	\$322,853	\$1,242,845
Depreciation.....	23,536	499	24,035	—	24,035
Capital expenditures.....	18,735	3,661	22,396	—	22,396

	(Millions of yen)				
Year ended March 31, 2002	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥ 77,701	¥3,600	¥ 81,301	¥ —	¥ 81,301
Intersegment sales or transfers	6	12	18	(18)	—
Total sales	77,707	3,612	81,319	(18)	81,301
Operating expenses	67,884	3,660	71,544	(18)	71,526
Operating income (loss)	¥ 9,823	¥ (48)	¥ 9,775	¥ —	¥ 9,775
II. Total assets, depreciation and capital expenditures					
Total assets	¥101,658	¥7,214	¥108,872	¥40,797	¥149,669
Depreciation	2,750	66	2,816	—	2,816
Capital expenditures	4,640	197	4,837	—	4,837

Notes: a) Basis of segmentation

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

(2) Major products in each business segment:

Light source application products—

halogen lamps, xenon lamps, high-pressure mercuric lamps, projection lamps for movie theaters and peripheral equipment, UV curing systems, and various other exposure systems

Machinery for industrial uses and other business—

injection molding machinery, food packaging systems, and automatic controls

b) Included in eliminations or unallocated amounts of the total assets were unallocated amounts totaling ¥42,083 million (\$350,108 thousand) and ¥44,109 million as of March 31, 2003 and 2002, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

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

Geographical segments

	(Millions of yen)						
Year ended March 31, 2003	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥ 47,368	¥ 24,965	¥ 5,857	¥ 13,747	¥ 91,937	¥ —	¥ 91,937
Intersegment sales or transfers	12,307	479	713	1,457	14,956	(14,956)	—
Total sales	59,675	25,444	6,570	15,204	106,893	(14,956)	91,937
Operating expenses	49,452	25,294	6,289	13,360	94,395	(14,648)	79,747
Operating income	¥ 10,223	¥ 150	¥ 281	¥ 1,844	¥ 12,498	¥ (308)	¥ 12,190
II. Total assets	¥ 86,621	¥ 18,354	¥ 9,401	¥ 11,709	¥ 126,085	¥ 23,305	¥ 149,390

(Thousands of U.S. dollars)

	(Thousands of U.S. dollars)						
I. Sales and operating income							
Sales to external customers	\$394,076	\$207,696	\$48,727	\$114,368	\$ 764,867	\$ —	\$ 764,867
Intersegment sales or transfers	102,388	3,985	5,932	12,121	124,426	(124,426)	—
Total sales	496,464	211,681	54,659	126,489	889,293	(124,426)	764,867
Operating expenses	411,414	210,433	52,321	111,148	785,316	(121,863)	663,453
Operating income	\$ 85,050	\$ 1,248	\$ 2,338	\$ 15,341	\$ 103,977	\$ (2,563)	\$ 101,414
II. Total assets	\$720,640	\$152,696	\$78,211	\$ 97,413	\$1,048,960	\$ 193,885	\$1,242,845

							(Millions of yen)	
Year ended March 31, 2002	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated	
I. Sales and operating income								
Sales to external customers	¥45,695	¥21,011	¥5,620	¥8,975	¥ 81,301	¥ —	¥ 81,301	
Intersegment sales or transfers.....	10,373	418	477	1,034	12,302	(12,302)	—	
Total sales	56,068	21,429	6,097	10,009	93,603	(12,302)	81,301	
Operating expenses.....	47,274	21,671	5,767	8,776	83,488	(11,962)	71,526	
Operating income (loss)	¥ 8,794	¥ (242)	¥ 330	¥1,233	¥ 10,115	¥ (340)	¥ 9,775	
II. Total assets	¥85,609	¥19,652	¥8,880	¥9,729	¥123,870	¥25,799	¥149,669	

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, England, France

(3) Asia—Hong Kong, Taiwan, Korea, Philippines, Singapore

c) Included in eliminations or the unallocated amounts of total assets were unallocated amounts totaling ¥42,083 million (\$350,108 thousand) and ¥44,109 million as of March 31, 2003 and 2002, respectively, which consisted primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities, etc.) of the Company.

Overseas sales

						(Millions of yen)		
Year ended March 31, 2003	North America	Europe	Asia	Other areas	Total			
III. Overseas sales								
Overseas sales.....	¥ 19,980	¥ 7,583	¥ 16,495	¥ 1,289	¥ 45,347			
Consolidated net sales						¥ 91,937		
Overseas sales as a percentage of consolidated net sales.....	21.7%	8.3%	17.9%	1.4%	49.3%			

						(Thousands of U.S. dollars)		
III. Overseas sales								
Overseas sales.....	\$166,223	\$63,086	\$137,230	\$10,724	\$377,263			
Consolidated net sales						\$764,867		
Overseas sales as a percentage of consolidated net sales.....	21.7%	8.3%	17.9%	1.4%	49.3%			

						(Millions of yen)		
Year ended March 31, 2002	North America	Europe	Asia	Other areas	Total			
III. Overseas sales								
Overseas sales.....	¥ 16,148	¥ 6,894	¥ 11,676	¥ 2,045	¥ 36,763			
Consolidated net sales						¥ 81,301		
Overseas sales as a percentage of consolidated net sales.....	19.9%	8.5%	14.4%	2.5%	45.2%			

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

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

(1) North America—U.S.A., Canada

(2) Europe—Netherlands, Germany, England, France

(3) Asia—Hong Kong, Taiwan, Korea, Philippines, Singapore

(4) Other areas—Argentina, Brazil

c) Overseas sales are sales of the Company and its subsidiaries.

14. Subsequent Events

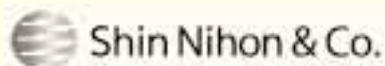
(1) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2003, were approved at a shareholders' meeting held on June 26, 2003:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥13 = U.S.\$0.108 per share)	¥1,793	\$14,917
Bonuses to directors and corporate auditors.....	40	333
	¥1,833	\$15,250

(2) On the same date, the shareholders approved a stock repurchase program under which the Company may repurchase up to 5 million shares of its common stock up to a maximum of ¥10,000 million (\$83,195 thousand).

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
USHIO INC.



Certified Public Accountants
Hibiya Bldg. 8/F
2-2-1, Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-8011
C.P.O. Box 1186, Tokyo 100-8641
Phone: 03 3503-1100
Fax: 03 3503-1107

We have audited the accompanying consolidated balance sheets of USHIO INC. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, 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 independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

June 26, 2003

A handwritten signature in black ink that reads "Shin Nihon & Co." with a stylized flourish at the end.

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of USHIO INC. and consolidated subsidiaries under Japanese accounting principles and practices.

DOMESTIC GROUP COMPANIES

USHIO INC. AND SUBSIDIARIES
As of June 26, 2003

Domestic Group Companies

JAPAN

USHIO LIGHTING, INC.

Business activities: Manufacture of halogen lamps, metal-halide lamps, metal-halide lamp units, light units for fiber lights, and infrared lamps (for monitor cameras)
860-22, Saiji, Fukusaki-cho,
Kanzaki-gun, Hyogo 679-2215
TEL: (0790) 22-6371
FAX: (0790) 22-6502

GIGAPHOTON, INC.

Business activities: Development, manufacture, and sale of excimer laser products for semiconductor photolithography
400, Yokokurashinden,
Oyama-shi, Tochigi 323-8558
TEL: (0285) 28-8410
FAX: (0285) 28-8439

USHIO U-TECH, INC.

Business activities: Sale of image processing systems, lighting systems, fish-luring lamps, lights for marine craft, factory automation systems, food wrapping systems, and other products
Izumikan Sanban-cho Bldg.,
3-8, Sanban-cho, Chiyoda-ku,
Tokyo 102-0075
TEL: (03) 3288-8411
FAX: (03) 3288-8400

XEBEX, INC.

Business activities: Sale of movie theater projection and sound systems, peripheral equipment, and other products
Izumikan Sanban-cho Bldg.,
3-8, Sanban-cho, Chiyoda-ku,
Tokyo 102-0075
TEL: (03) 3234-9100
FAX: (03) 3234-9700

TSUKUBA USHIO ELECTRIC, INC.

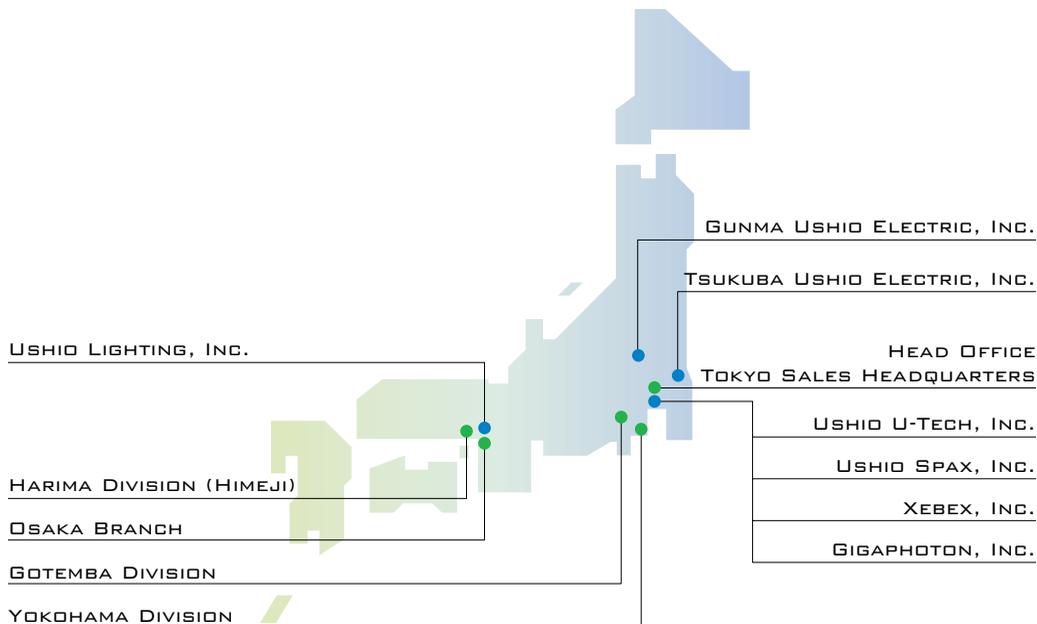
Business activities: Manufacture and sale of xenon flash lamps
5-2-1, Tokodai, Tsukuba,
Ibaraki 300-2635
TEL: (0298) 47-5111
FAX: (0298) 47-5051

GUNMA USHIO ELECTRIC, INC.

Business activities: Manufacture and sale of office equipment, medical equipment, and fitness industry equipment
262 Kondo-cho, Tatebayashi,
Gunma 374-8521
TEL: (0276) 73-4611
FAX: (0276) 74-7471

USHIO SPAX, INC.

Business activities: Manufacture and sale of lighting equipment and optical equipment, and room lighting design
1-20-19 Horikiri Katsushika-ku,
Tokyo 124-0006
TEL: (03) 5672-7711
FAX: (03) 5672-7734



OVERSEAS NETWORK

USHIO INC. AND SUBSIDIARIES
As of June 26, 2003

Overseas Sales Bases

NORTH AMERICA

USHIO AMERICA, INC.

Business activities: Sale of halogen lamps and superhigh-pressure mercury lamps; manufacture and sale of metal-halide lamps
5440 Cerritos Avenue,
Cypress, CA 90630, U.S.A.
TEL: (714) 236-8600
FAX: (714) 229-3180

• SOUTHWESTERN REGIONAL OFFICE

6839 North Trailway Circle,
Parker, CO 80134, U.S.A.
TEL: (303) 805-8535
FAX: (800) 776-3641

• CENTRAL REGIONAL OFFICE

14795 West 101st Avenue,
Suite B Dyer, IN 46311, U.S.A.
TEL: (708) 849-4200
FAX: (708) 849-4269

• EASTERN DIVISION BRANCH OFFICE

16-00 Route 208
South Fair Lown, NJ 07410, U.S.A.
TEL: (201) 703-3920
FAX: (201) 703-3924

• SOUTHEASTERN REGIONAL OFFICE

3530 Ashford Dunwoody Road,
Suite 211, Atlanta, GA 30319, U.S.A.
TEL: (404) 252-2600
FAX: (404) 256-1333

CHRISTIE DIGITAL SYSTEMS USA, INC.

Business activities: Manufacture and sale of movie theater projection systems and light source related equipment
10550 Camden Drive, Cypress, CA 90630, U.S.A.
TEL: (714) 236-8610
FAX: (714) 503-3385

• ASIA OFFICE

102F Pasir Panjang Road,
#07-07 Citilink Warehouse Complex,
Singapore 118530
TEL: 270-4188
FAX: 270-4388

EUROPE

USHIO EUROPE B.V.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and systems and other products
Sky Park, Breguetlaan 16-18,
1438BC Oude Meer, The Netherlands
TEL: (020) 446 93 33
FAX: (020) 446 03 60

USHIO DEUTSCHLAND GmbH

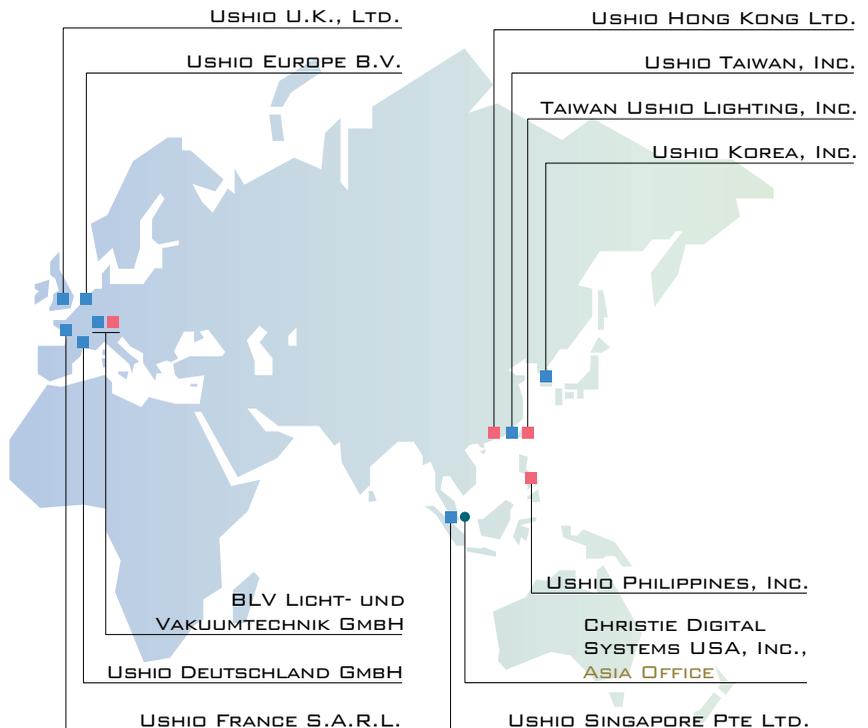
Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
Lonchhamer Straße 13,
82152 Martinsried, Germany
TEL: (089) 89 96 04 0
FAX: (089) 89 96 04 19

USHIO U.K., LTD.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
Rowan House, Quarrywood Court, Livingston
West Lothian, EH54 6AX United Kingdom
TEL: 01506 (432) 686
FAX: 01506 (434) 038

USHIO FRANCE S.A.R.L.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
Z.I. du Vert Galant-Allée St. Simon
B.P. 7043-St. Ouen L'Aumone 95051,
Cergy Pontoise Cedex, France
TEL: (1) 34 64 94 94
FAX: (1) 34 64 44 97



- PRODUCTION BASE (LOCAL SUBSIDIARY)
- SALES BASE (LOCAL SUBSIDIARY)
- SALES BASE (LOCAL SUBSIDIARY/REPRESENTATIVE OFFICE)

Overseas Production Bases

ASIA

USHIO SINGAPORE PTE LTD.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
 Dynasty Industrial Bld.,
 No. 1 Jalan Kilang #05-01,
 Singapore 159402
 TEL: 6274-5311
 FAX: 6274-5300

USHIO TAIWAN, INC.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
 No. 31 Sec. 1 Chung-Shiaw E. Road,
 Taipei, Taiwan, R.O.C.
 TEL: (2) 2322-4103
 FAX: (2) 2394-4140

USHIO KOREA, INC.

Business activities: Sale of halogen lamps, superhigh-pressure mercury lamps, xenon short-arc lamps, and other products
 14F Dukheung Bldg., 1328-10,
 Seocho-Dong, Seocho-ku,
 Seoul, Korea
 TEL: 02 587 1115
 FAX: 02 587 1118

NORTH AMERICA

CHRISTIE DIGITAL SYSTEMS CANADA, INC.

Business activities: Sale of projectors and other products
 809 Wellington Street,
 North Kitchener, Ontario,
 N2G 4Y7, Canada
 TEL: (519) 744-8005
 FAX: (519) 744-3136

USHIO OREGON, INC.

Business activities: Manufacture of halogen lamps and lamp units for OA equipment
 2050 East Mountainview Drive,
 Newberg, OR 97132, U.S.A.
 TEL: (503) 538-6515
 FAX: (503) 538-8450

EUROPE

BLV LICHT- UND VAKUUMTECHNIK GmbH

Business activities: Manufacture and sale of halogen lamps, metal-halide lamps, and other products
 Münchner Straße 10D
 85643 Steinhöring, Germany
 TEL: (080) 94 90 60
 FAX: (080) 94 90 61 11

ASIA

USHIO PHILIPPINES, INC.

Business activities: Manufacture of halogen lamps for illumination and OA equipment, and other products
 First Cavite Industrial Estate,
 Barangay Langkaan, Dasmarinas,
 Cavite, Philippines
 TEL: (046) 402-1422
 FAX: (046) 402-1421

USHIO HONG KONG LTD.

Business activities: Manufacture of halogen lamps and lamp units for OA equipment
 Suites 2209-11, 22/F, Tower6,
 The Gateway, 9 Canton Road, Tsim Sha Tsui,
 Kowloon, Hong Kong
 TEL: 2756-7880
 FAX: 2798-9861

• YUEN LONG PLANT

29-31, Wang Lok Street,
 Yuen Long Industrial Estate,
 Yuen Long, New Territories,
 Hong Kong SAR
 TEL: 2478-0090
 FAX: 2476-6701

• PAN YU PLANT

Kou Shui Heng, Pan Yu District,
 Guangdong,
 The People's Republic of China 511450
 TEL: 20-34569158
 FAX: 20-34568626

TAIWAN USHIO LIGHTING, INC.

Business activities: Manufacture of halogen lamps for illumination, and other products
 No. 82, Taiho Road, Taiho-Li,
 Chupei, Taiwan, R.O.C.
 TEL: (35) 51-3207
 FAX: (35) 51-4523

USHIO CANADA, INC.

CHRISTIE DIGITAL SYSTEMS CANADA, INC.

USHIO AMERICA, INC.

SOUTHWESTERN REGIONAL OFFICE

USHIO OREGON, INC.

USHIO AMERICA, INC.

CHRISTIE DIGITAL SYSTEMS USA, INC.

USHIO INTERNATIONAL TECHNOLOGIES, INC.

USHIO AMERICA, INC.

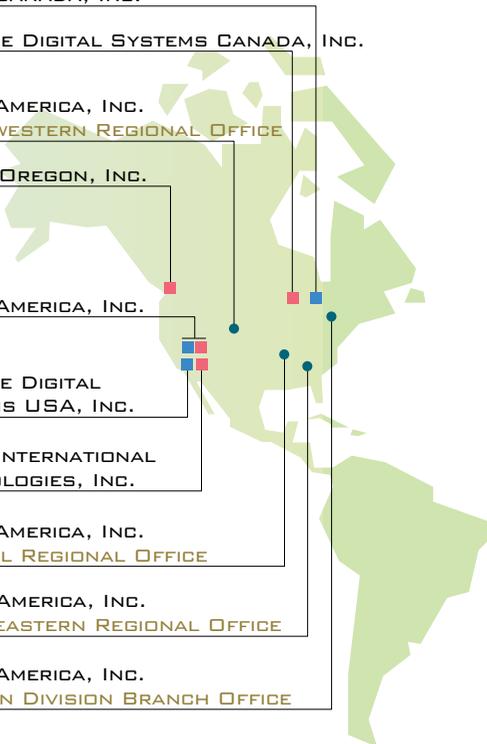
CENTRAL REGIONAL OFFICE

USHIO AMERICA, INC.

SOUTHEASTERN REGIONAL OFFICE

USHIO AMERICA, INC.

EASTERN DIVISION BRANCH OFFICE



HISTORY

Established as Himeji Light Bulb Co.	November	1916	
Name changed to Ushio Industry, Ltd.	November	1932	December
Established sales base in the U.S.A. (USHIO AMERICA, INC.)	May	1952	March
Listed on the Second Section of the Tokyo Stock Exchange (TSE); capital increased to ¥400 million	May	1964	Ushio Inc. established with capital of ¥12.5 million
Established Harima Plant (Harima Division)	May	1967	September
Listed on the Second Section of the Osaka Securities Exchange (OSE); capital increased to ¥902 million	April	1968	Yokohama R&D Division opened
Established engineering division with sales functions (USHIO U-TECH, INC.)	April	1970	
Established equipment assembly plant (GUNMA USHIO, INC.)	September	1971	August
Established equipment assembly base in Hong Kong (USHIO HONG KONG LTD.)	September	1974	Moved head office to Asahi Tokai Building in Tokyo's Otemachi business district
Established flash lamp and rare-gas discharge lamp plant in Japan (TSUKUBA USHIO, INC.)	December	1980	September
Established sales base in France (USHIO FRANCE S.A.R.L.)	July	1981	Listed on the first sections of the TSE and OSE; capital increased to ¥1,540 million
Established Systems Division II (Gotemba)	July	1983	June
Marine division spun off as separate company (USHIO MARINE, INC.)	October	1984	Established new halogen lamp manufacturing plant (HYOGO USHIO ELECTRIC, INC.)
Acquired BLV LICHT- UND VACUUMTECHNIK GmbH of Germany	April	1985	February
Established xenon lamp production and sales base in the U.S.A. (CHRISTIE, INC.)	June	1986	Established Southeast Asian sales base (Singapore Liaison Office)
Established sales base in Germany (USHIO DEUTSCHLAND GmbH)	October	1987	April
Established general lighting production company (USHIO LIGHTING, INC.)	April	1988	Established sales base in Europe (USHIO EUROPE B.V.)
Established sales base in the U.K. (USHIO U.K., LTD.)	July	1989	April
Established comprehensive Group R&D center in Japan (USHIO RESEARCH INSTITUTE OF TECHNOLOGY INC.)	July	1990	Established lamp production plant in the U.S.A. (USHIO OREGON, INC.)
Established a joint venture for excimer-laser business with KOMATSU LTD. (GIGAPHOTON, INC.)	August	1991	July
		1992	Established lamp production plant in Taiwan (USHIO TAIWAN, INC.)
		1996	September
		1989	Established lamp production plant in Europe (USHIO EUROPE B.V.'s TILBURG PLANT)
		1990	June
		1991	Singapore Liaison Office upgraded to subsidiary (USHIO SINGAPORE PTE LTD.)
		1991	April
		1992	Reestablished Tilburg Plant as subsidiary (USHIO EUROPE (TILBURG) B.V.)
		1996	December
		1992	Established lamp production plant in Hong Kong (USHIO HONG KONG LTD., Yuen Long Plant)
		1996	February
		1996	Established lamp production plant in the Philippines (USHIO PHILIPPINES, INC.)
		1996	March
		1996	Established sales base in the Republic of Korea (USHIO KOREA, INC.)
		1997	
		1999	November
		1999	Established CHRISTIE DIGITAL SYSTEMS, INC., after the acquisition of the Visual Equipment Division of ELECTROHOME LTD. of Canada
		2000	

INVESTOR INFORMATION

As of March 31, 2003

Board of Directors

(As of June 26, 2003)

**Chairman and
Ushio Group Representative**
Jiro Ushio

**President and
Chief Executive Officer**
Akihiro Tanaka

**Directors and Corporate
Executive Vice Presidents**
Tadashi Shibuichi
Katsunori Kakimi

**Directors and Corporate
Senior Vice Presidents**
Tomio Nakanishi
Manabu Goto
Shiro Sugata
Hiromitsu Matsuno

Corporate Auditors
Takahisa Mimura
Masashi Hayakawa
Toshihisa Saito
Shinji Sekiguchi

Established

March 1964

Paid-in Capital

¥19,556,326,316

Common Stock

Authorized: 300,000,000 shares
Issued: 139,628,721 shares

Number of Shareholders

13,177

Stock Listing

Tokyo Stock Exchange, First Section

Independent Accountants

Shin Nihon & Co.

Transfer Agent

The Chuo-Mitsui Trust & Banking Co., Ltd.

Divisions

(As of June 26, 2003)

Head Office
Asahi Tokai Building,
6-1, Otemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004
TEL: (03) 3242-1811
FAX: (03) 3245-0589

Harima Division
1194, Sazuchi, Bessho-cho,
Himeji, Hyogo 671-0224
TEL: (0792) 52-4381
FAX: (0792) 53-6262

Yokohama Division

6409, Moto-Ishikawa-cho,
Aoba-ku, Yokohama,
Kanagawa 225-0004
TEL: (045) 901-2571
FAX: (045) 901-1004

Gotemba Division

1-90, Komakado,
Gotemba, Shizuoka 412-0038
TEL: (0550) 87-3000
FAX: (0550) 87-3200

Tokyo Sales Headquarters

Asahi Tokai Building,
6-1, Otemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004
TEL: (03) 3242-5611
FAX: (03) 3242-2700

System Company Sales Division

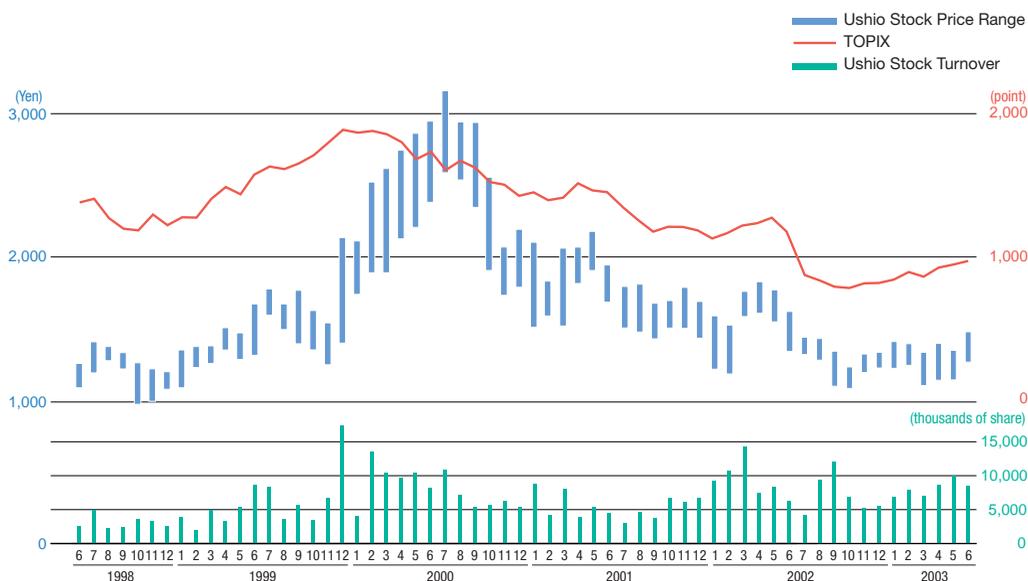
Hazuki Building, 14-6,
Utsukushigaoka 5-chome,
Aoba-ku, Yokohama,
Kanagawa 225-0002
TEL: (045) 901-2572
FAX: (045) 901-0883

Osaka Branch

Shin-Osaka Mori Building,
13-9, Nishi-Nakajima 5-chome,
Yodogawa-ku, Osaka 532-0011
TEL: (06) 6306-5711
FAX: (06) 6306-5718

Further information may be obtained by contacting
the Corporate Communications Department:
TEL: +81-3-3242-1815
FAX: +81-3-3242-0695

STOCK DATA



Lighting-Edge Technologies

USHIO

The Things One Can Do with Light !

Sometimes it feels as if technology is moving forward at the speed of light, getting smaller, quicker, and more precise every day.

Light is helping to solve some of the problems this dizzying pace of change throws up.

Light—more indispensable than ever.

Ushio the light creation company—more promising than ever.

Lighting the Way to the Future : USHIO.

For further information on Ushio or our products,
please contact the Company's head office or visit our Web site:

<http://www.ushio.co.jp>

Corporate Communications Department

Office of the President

USHIO INC.

Asahi Tokai Building, 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan

TEL: +81-3-3242-1815 FAX: +81-3-3242-0695

Printed in Japan
2003-09-1000KO