

USHIO

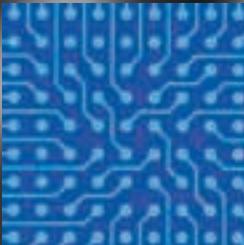
Annual Report 2004
Year ended March 31, 2004

Exploring the Capabilities of Light

Ushio Inc. began operations as a manufacturer of industrial light sources in 1964. Since that time, the Company has continued to contribute to innovation in manufacturing technology through the development of new light sources, optical technology and applications high-tech by providing lighting units, devices, and systems. As a group of companies engaged in the creation of products and services related to light, and using these to provide “light solutions,” the Ushio Group is strengthening its competitive position and value in global markets.

The Ushio Group’s primary business domains are electronics, visual image equipment, office automation (OA) equipment, and illumination. The Group aspires to become the world’s leading firm in IT, nanotechnology, and other cutting-edge, high-tech fields. In conjunction with this, we have taken our basic marketing strategy a step further and now focus our operations on pinpointing the needs of individual customers rather than the market in general, which allows a more precise and thorough response.

ELECTRONICS



VISUAL IMAGE EQUIPMENT



OA EQUIPMENT

ILLUMINATION

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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.

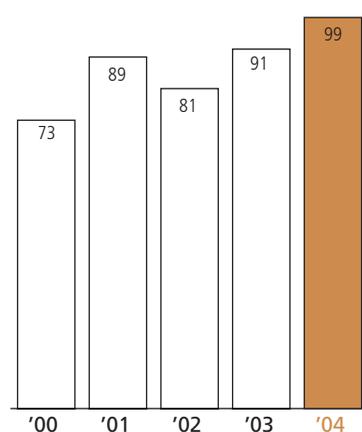
Consolidated Financial Highlights

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

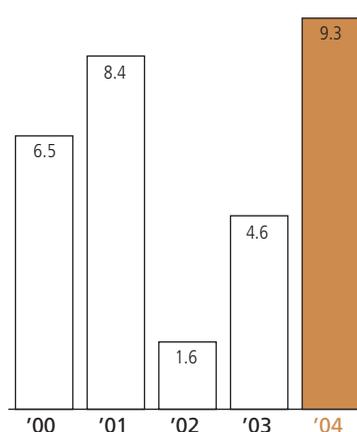
	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
For the year:				
Net sales.....	¥ 99,081	¥ 91,937	¥ 81,301	\$ 937,468
Operating income.....	15,006	12,190	9,775	141,981
Net income.....	9,346	4,651	1,643	88,429
At the year-end:				
Total assets.....	¥169,771	¥149,390	¥149,664	\$1,606,311
Total shareholders' equity, net.....	117,726	105,582	106,837	1,113,880
Per share of common stock (yen and U.S. dollars):				
Net income.....	¥ 67.36	¥ 33.14	¥ 11.77	\$0.64
Cash dividends.....	20.00	13.00	13.00	0.19
Net assets.....	853.40	764.94	765.32	8.07

Note: Fiscal 2004 yen amounts have been translated into U.S. dollar amounts at ¥105.69=US\$1.00, the exchange rate prevailing on March 31, 2004.

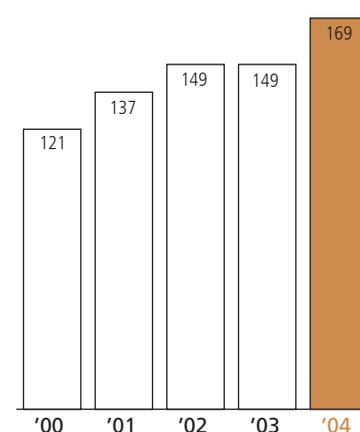
Net Sales (Billions of yen)



Net Income (Billions of yen)



Total Assets (Billions of yen)



Message from the Chairman

Ushio Inc. celebrated its 40th anniversary in March, 2004. Since the Company's establishment, it has pursued the possibilities of light, worked to expand its business domain, and offered lighting with the functionality and properties demanded by numerous different fields, evolving from a maker of lamps into a "light solutions" company.

Ushio's products, employing the expertise developed over its years of operation, cover key processes in the manufacturing of semiconductors, liquid crystal displays (LCDs), DVDs and other cutting-edge electronics products. The Company holds the top shares of world markets in various product categories.

In response to changing market needs, the Company is constantly seeking to apply the properties of light to develop innovative technology, realizing and commercializing next-generation technology through joint development with end users, and positioning Ushio as a "light innovation company."

The Company is pioneering new fields of applications for light through joint industry, academia, and government projects, including extreme ultraviolet semiconductor photolithography systems and digital projection and imaging systems. Ushio, which is assisting in spurring the changes and progress of the era, is emphasizing biomedical, medical, and microelectromechanical systems (MEMS) technologies as its next-generation "light" business fields. In developing these new fields as business domains, Ushio will once again expand the horizons of the possible in light technologies.

Advances in light technology and the broadening of the range of its applications greatly increase demand for light in various fields, and this plays a large role in creating economic activity. The Ushio Group boasts more advanced technology and more efficient manufacturing procedures, which allow it to develop new applications for light. Through "innovation in light," Ushio is shaping the future, and contributing to a happier society with a higher standard of living.

July 2004



Jiro Ushio

*Chairman and Ushio Group
Representative*



Message from the President

The Ushio Group posted record-high consolidated net income in the fiscal year ended March 31, 2004. Consolidated net sales rose 7.8% to ¥99,081 million, operating income surged 23.1% to ¥15,006 million, and net income jumped 100.9% to ¥9,346 million, besting the previous record set in fiscal 2001.

There were signs of a tentative recovery in Japan's business environment and domestic economy during fiscal 2004. Full-scale recovery emerged overseas, driven by the recovery in the U.S. and by China's sustained economic growth.

Faced with these circumstances, the Company pursued a medium- and long-term strategy of developing and expanding its digital projection and imaging business, its high-density mounting business, and its semiconductor photolithography business, offering "light solutions" that contribute to technological innovation in those fields through light sources and equipment.

One notable development this fiscal year was the upturn in demand for digital consumer electronics such as liquid crystal televisions and computer monitors, which brought significant growth in sales of light sources for LCD manufacturing, surface cleaning equipment, and bonding appliances for substrate manufacturing. The Company also stressed the expansion of sales of digital data distribution systems for movie theater screens and lobby displays, and performance in this field improved as well.

To achieve further growth, Ushio has been strengthening and expanding its sales and manufacturing structure through an energetic capital investment program. The Company established an office automation (OA) equipment and projector lamp manufacturing base in Suzhou, China, has begun the modernization of its Harima Plant, Ushio's core manufacturing facility, and has reorganized the Group Companies in the illumination and projection business.

To share this fiscal year's record-high net income with shareholders, and to mark the 40th anniversary of the Company's establishment, an

increase in dividends of ¥7 has been declared bringing total cash dividends for the year to ¥20 per share. Taking a long-term perspective, internal reserves will also be used for investments in the development of new products and technologies, and in the expansion of production capacity as appropriate. These funds will also be employed to strengthen the Group's combined strength through reorganization and to enter new fields of business, as we seek to strengthen our corporate structure and increase our corporate value. Ushio will continue to meet expectations by developing new application domains for light, and realizing continuous growth through meeting the needs of expanding markets.

Ushio and the Ushio Group request your continued support and understanding of the Group and its businesses.

July 2004



Akihiro Tanaka
President and Chief Executive Officer



New record for consolidated net sales and net income; as our business development program directed at further growth commences.

Electronics

Semiconductor FPDs
Printed circuit boards
Electronics mounting

Visual Image Equipment

Data projectors
Cinemas
Industrial-use virtual-reality imaging
Large imaging systems for control room use

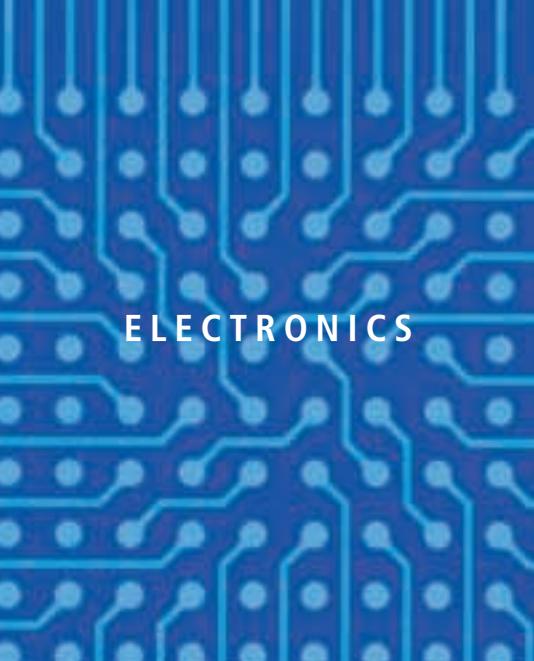
Office Automation (OA) Equipment

Copiers (multifunction printers)
Facsimiles
Printers

Illumination

Commercial facilities
Stage and studio
Amusement facilities





Principal Group Domains

In providing light sources and solutions, Ushio makes an important contribution to the progress of its customers in cutting-edge electronics fields.

Performance in Fiscal 2004

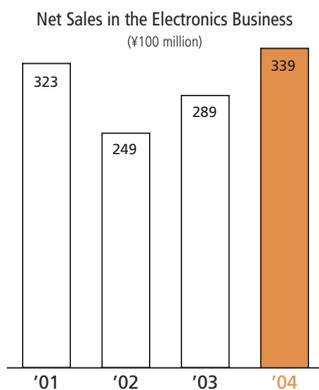
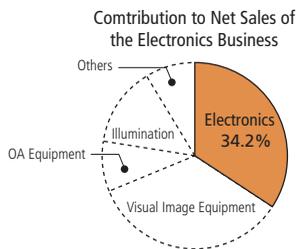
Capital investment related to LCDs has grown in recent years with the expansion of the digital consumer electronics market, and Ushio's liquid crystal manufacturing equipment-related business has expanded substantially. Ultraviolet (UV) irradiation equipment for bonding liquid crystal panels, excimer systems for liquid crystal display cleansing, and UV lamps for exposure systems made a healthy contribution to net sales. Accordingly, net sales in the field of electronics rose 17.3% to ¥33.9 billion.

systems produced by the Company, and other equipment used in printed circuit board manufacturing.

In addition to light sources, the Company manufactures optical devices that employ the functionality and properties of its light sources. These products play an important role in the production of semiconductors, LCDs, and DVD players and disks, contributing to higher yield ratios and lower costs.

Ushio has a commanding share of the markets for Excimer VUV/O3 surface cleaning equipment for liquid crystal panel glass substrates, and UV curing equipment used in liquid crystal panel and DVD bonding through UV curing of resin. High demand was seen for UV curing equipment used for bonding DVD pickup lenses, and this is one area in which growth is expected. Also, Ushio has 100% of the world market for circuit exposure equipment for TAB substrates that connect liquid crystal panels and drive integrated circuits (ICs).

It is assumed that increasing screen sizes and rising resolution will result in growing demand for light sources and equipment for LCD manufacturing alongside the development of markets for other types of flat panel displays, including plasma display panels (PDPs) and organic electroluminescence displays. Ushio will continue to emphasize and strengthen its participation in this field.

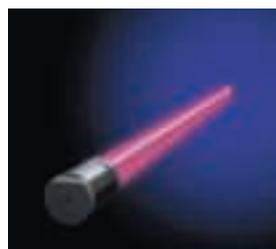


Operations and Market Conditions

Ushio manufactures UV lamps that are used as lithography lamps in exposure systems for the microfabrication of circuit boards, including semiconductor circuit boards, and is renowned for meeting the needs of the market with its diverse product lineup. The Company has an 80% share of the world semiconductor photolithography light source market, and an 80% share of the world market for liquid crystal panel exposure system light sources. The Company's UV lamps are also used in the tape automated bonding (TAB) exposure



Semiconductor and LCD photolithography light source



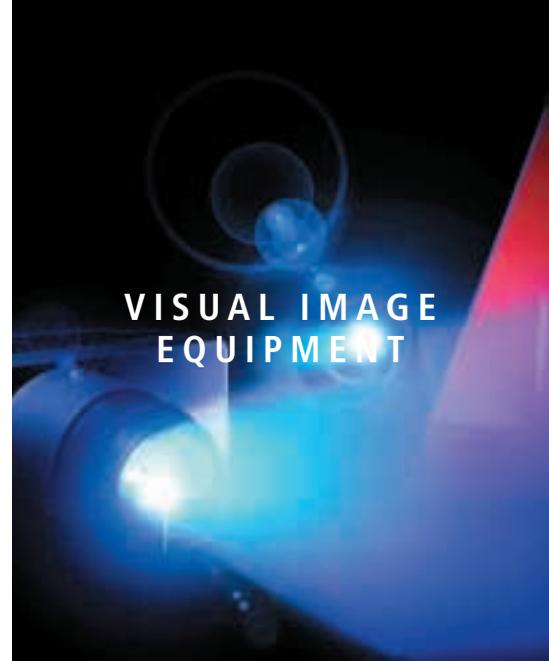
Light sources for LCD cleansing excimer system



SpotCure ultraviolet irradiation equipment for fixing pickup lenses for DVD and CD players and digital-camera lenses



UX-3100SR high-precision flexible printed circuit (FPC) exposure equipment



Ushio's light sources and equipment have established a strong presence in the projection and imaging field. Using digital technology in the field of projection equipment, we are shifting from a device business to a solutions business model.

Performance in Fiscal 2004

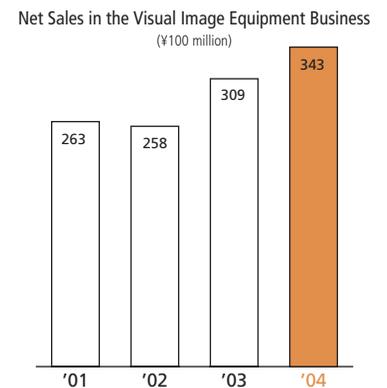
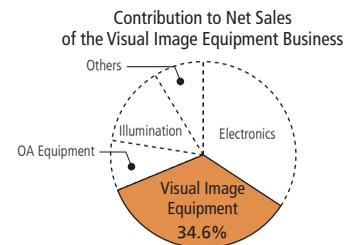
The market for data projectors used for business presentations is expanding, which has brought increased sales of the high-intensity discharge lamps used in them. With the economic recovery in the U. S., the market for large projection systems improved as the construction of movie theaters, especially multiplexes, heralded rising demand for cinema projectors. As a result of the foregoing, net sales in the projection and imaging field rose 11.0% to ¥34.3 billion.

Operations and Market Conditions

When used in projectors, our high-intensity discharge lamps offer high output and excellent color reproduction. Ushio's share of the world market for high-intensity discharge lamps for use in data projectors is 35%, one of the largest in the industry. This market has been expanding in recent years, and the market share of Ushio's lamps has also risen.

Relying largely on Ushio's U. S. subsidiary, Christie Digital Systems Inc., the Company's projection equipment business offers a complete lineup of projectors, light sources, and related equipment. Ushio's share of the world market for film projectors is 45%, and for xenon projector lamps 55%. Ushio was quick to commercialize digital cinema projectors to meet the shift to digital equipment in movie theaters seen during recent years, and now holds a 70% share of this market worldwide.

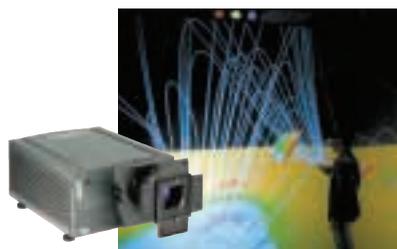
The Company also offers comprehensive system services built around digital projectors made by the Christie Group, coupled with networks and software. This includes digitally distributed on-screen advertising and monitoring systems. Advertising projectors are beginning to be seen in movie theaters in North America, and demand is expected to grow further in this field.



CP 2000 digital cinema projector



Xenon short-arc light source for cinema projectors and large projectors



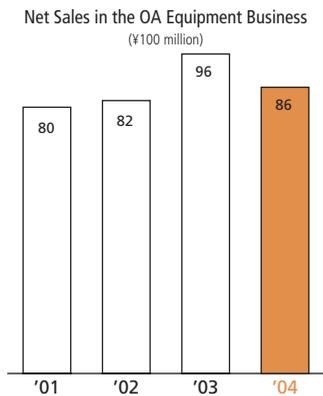
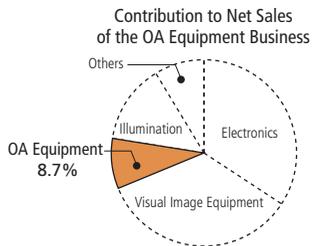
Cave 3D projection light system



NSH high-intensity discharge light source for data projectors



OFFICE AUTOMATION(OA) EQUIPMENT



Performance in Fiscal 2004

The expanding presence of low-end model multifunctional peripherals (MFPs) and laser beam printers (LBPs) has resulted in a decline in lamp prices and declining sales of some products now in inventory. Use of large printers has also decreased. Accordingly, net sales in the OA equipment field, where Ushio also supplies light sources for copiers, laser printers, and facsimile machines, declined 10.4% to ¥8.6 billion.

Operations and Market Conditions

A copier uses the heat of a halogen lamp, which is a type of incandescent lamp, to fix toner in place. They are also used as light sources in copiers and scanners. Ushio commands 65% of the market for halogen lamps used in copiers and laser printers. The trend toward digital office equipment in recent years has brought about a corresponding trend toward the use of noble gas fluorescent lamps in copiers and scanners. Ushio supplies these lamps to Ricoh, Xerox, Canon and other large office equipment manufacturers, and with a 65% share of the market, is the world's top maker of noble gas fluorescent lamps.

Ushio has been building systems to develop, manufacture, and market lamps to meet the individual needs of its OA-equipment-maker customers since the era

of the diazo (blueprint) copier. The Company's light technology remains indispensable notwithstanding the shift to digital technology and the advent of the multifunction printer.

OA equipment manufacturing has been transferred to China in recent years, and today approximately 50-60% of the world's output of OA equipment is produced there. In answer to this movement by the users of our products, last spring we started production at the new Panyu Plant (Huizhou, Guangdong Province), and have begun manufacturing lamps for OA equipment at our new Suzhou Plant (Suzhou, Jiangsu Province).

This gives the Ushio Group two OA-equipment manufacturing facilities in China (Panyu, Suzhou) and one in the Philippines (USHIO PHILIPPINES, INC.), and establishes a manufacturing structure optimally located near markets.



Noble gas fluorescent exposure lamps for copiers and scanners



Light sources and light units for OA equipment



The Panyu Plant, the primary manufacturing facility for our OA equipment light source business (Guangzhou, Guangdong Province, China)



Multifunction printer



ILLUMINATION

Performance in Fiscal 2004

As a result of weak demand for lamps worldwide, net sales in the illumination field declined 2.1% to ¥13.7 billion.

Operations and Market Conditions

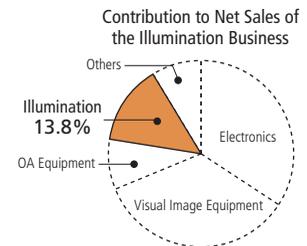
In this field the Company offers comprehensive support for stage, studio, and auditorium illumination systems, as well as illumination systems for retail and commercial spaces, providing a range of light sources, lighting equipment, design services, and peripheral facilities. Ushio also offers products to meet highly specialized needs in a wide range of areas, including automotive halogen lamps and fishing lights.

In the field of illumination for commercial facilities, Ushio supplied the lighting equipment for Tokyo's Roppongi Hills development, which opened in April 2003. With lighting suited to each architectural concept, Ushio achieved the desired effects with its widely acclaimed lighting technology.

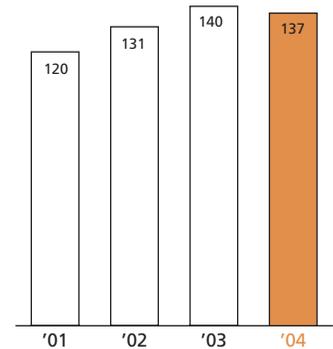
Two domestic members of the Ushio Group merged on April 1, 2004. USHIO U-TECH, INC., which functioned as a specialized trading company dealing in

illumination systems and light sources for manufacturing machinery and equipment, merged with USHIO LIGHTING, INC., which manufactured and sold halogen lamps for illumination systems, including metal halide lamps, xenon lamps, and other light sources, as well as halogen heater lamps and light sources for optical devices. The new company will be known as Ushio Lighting Inc.

The new Ushio Lighting concentrates a number of the Group's proprietary strengths and management resources and will have a strong corporate structure with the illumination business at its core. This company will also form the nucleus of the Ushio Group's domestic illumination and imaging businesses.



Net Sales in the Illumination Business
(¥100 million)



World's first mass-produced ceramic metal halide lamps with integrated ballast, the U-ONE



Newly introduced metal halide lamps and halogen lamps from Ushio Lighting. (photograph taken at Ushio's product exhibition held at Ebisu Garden Place, Tokyo, in March 2004)

MRX JR reduced-glare halogen lamps



Lighting at the Roppongi Hills development in Tokyo



Illuminating a large structure



Stage lighting equipment

News Highlights

Noble gas fluorescent exposure lamps for copiers and scanners (top)
High-intensity discharge light sources for data projectors (bottom)



Ushio Electric (Suzhou) Co., Ltd.
(Suzhou Plant)

Harima Plant Modernization Begins

Construction of Two New Buildings Started

In line with the present emphasis on research and development and improved "plant quality," we formulated and this spring commenced the implementation of the Harima Modernization Plan, under which necessary changes will be made to the Harima Plant and new functionality added. This plan takes a long-term, ten- to twenty-year perspective on the plant, which is Ushio's principal lamp production facility.

The plan embraces four fundamental design concepts and adopts five keywords. Two new buildings will be constructed: an R&D center that will have collaboration rooms for joint research and experimentation with users (Building A), and one that will be primarily given over to manufacturing space (Building B). The new buildings are scheduled for completion in November 2004.

Fundamental Concepts

- Dramatically increase production capacity
- Strengthen R&D capabilities and lamp company headquarters functions.
- Promote cooperative activities with customers, suppliers, and neighboring companies.
- Improve employee benefits.

Keywords

- Collaboration
- Security
- Flexibility
- Cost Conscious
- Grand Design

TAB Testing Equipment Developed

Entering the Testing Equipment Market

Ushio holds a commanding share of the market for TAB exposure systems, and leveraged these accomplishments and related experience to develop an automatic inspection system for TAB circuit patterns.

This equipment scans and inputs an image of circuit patterns, then detects breaks, smears, and other flaws. The Company used proprietary illumination and optics technology resources to develop an ideal inspection system with low miss and false positive rates, making it possible to automate at a stroke processes that had depended on visual inspection.

This system is Ushio's first foray into the circuit inspection equipment field, but the Company plans to advance into the inspection equipment market in biotechnology, microelectromechanical systems (MEMS), and other fields, to make wider use of this inspection technology.



Building A at the new Harima Plant (Artist's impression)



2004 Environmental Report issued



Cashless, multipurpose dining room with screen equipment and meeting facilities (top)
Office space that is easily reconfigured in response to expansion or reorganization (center)
The research area can be seen in this glass-walled collaboration room (bottom)
(Artist's impressions)



The 40th Anniversary Commemorative Dividend

Dividend per share rises to ¥20

Since its founding, the Company, as a publicly traded company, has regarded shareholder returns as one of the most important issues it faces. Ushio's fundamental policy is to maintain a strong financial position and business base, while providing stable returns to shareholders.

This term the Company posted record-high consolidated net income, and liquidity in hand accordingly increased. We therefore increased the ordinary cash dividend by ¥2 to ¥15 per share, and declared a 40th anniversary commemorative dividend of ¥5, for a total dividend of ¥20 per share. Last year's cash dividends were ¥13. This brings the Company's dividend payout ratio to 37.0%, and the ratio of shareholders' equity to dividends to 2.5%. The allocation of internal reserves to R&D and capital investment contributes to a strong foundation for continuous growth over the long-term.

Moving Forward with Companywide Environmental Protection Activities

Ushio Environmental Report Published

Ushio considers harmony with the environment to be one of the most important issues it faces as a corporation. The fundamental philosophy that guides our environmental protection activities is the imperative to contribute to the realization of a sustainable society through environmental protection in every facet of our business activities.

We have for some time been publishing the annual Harima Plant Site Environmental Report, which compiles and presents information on environmental policy and activities at the Harima Plant, Ushio's core manufacturing facility. We published the Ushio Group Environmental Report to reaffirm these activities throughout the Company, to clarify the policies that guide environmental activities throughout the Group, and to report our activities and successes to our stakeholders.

Alongside the Company's business activities, we are working to gain the public's understanding and trust through strengthened environmental activities.

Strengthening Structures for Sustained Growth

Capital Investment Is at the Highest Level in Ushio's History.

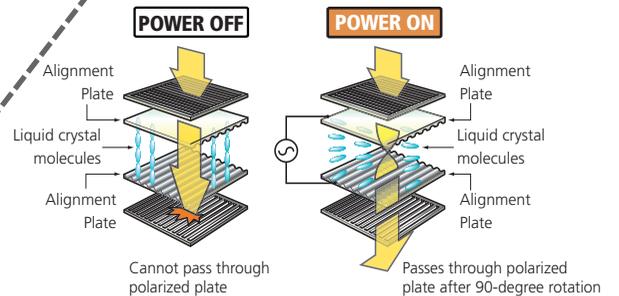
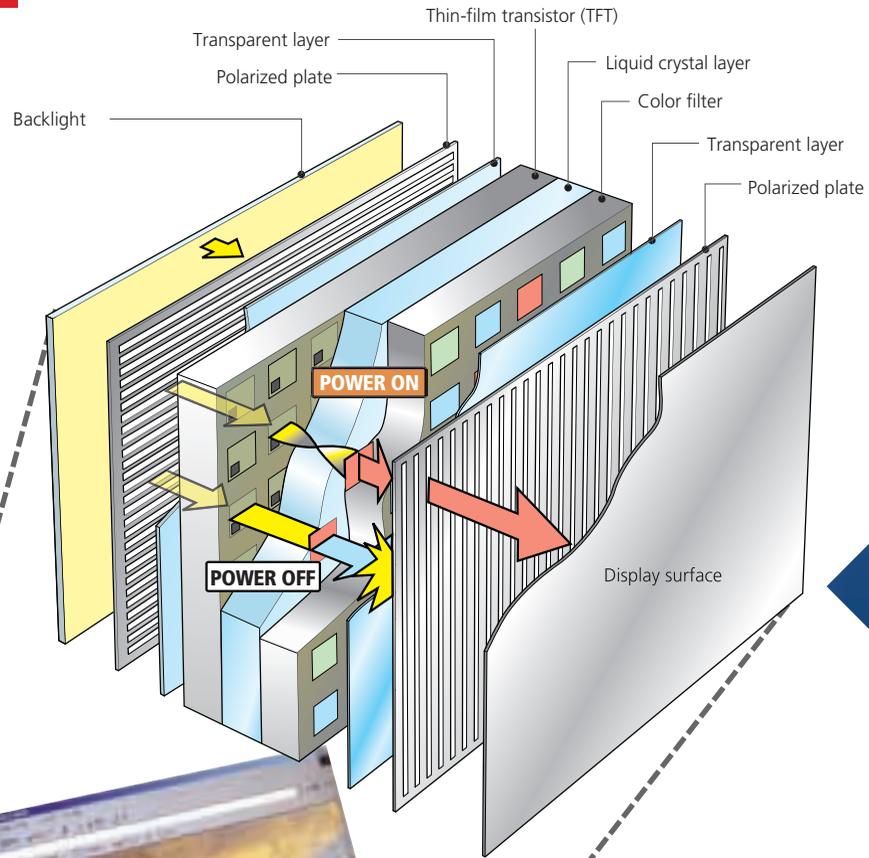
In response to the changes in the business environment, and to build a corporate structure that makes possible the continuous growth seen in the past, Ushio has embarked on a program of business reorganization and manufacturing facility renovation. In this connection, the Company is pursuing a vigorous capital investment policy, at a pace that is faster than normal for Ushio.

Major renovation of the 34-year-old Harima Plant, in operation since 1970, has begun. In addition, we have established a new manufacturing base in China. Ushio Electric (Suzhou) Co., Ltd. (Suzhou Plant), located in the Suzhou Industrial Park, China's fourth, manufactures noble gas fluorescent lamps for OA equipment and high-intensity discharge lamps for projectors.

Ushio now has bases for manufacturing lamps for OA equipment in Panyu, Suzhou, and the Republic of the Philippines, and for manufacturing projector light sources in Panyu, Suzhou, and Harima. The supply capacity, ability to meet delivery dates, and risk management capabilities this structure offers will win the Ushio Group a higher level of trust from its customers.

The Structure of the Liquid Crystal Display

A liquid crystal display uses voltage to change the alignment of light, using the properties of liquid crystal in the role of shutter. Today, the mainstream technology is the thin-film transistor (TFT) system. In this system, liquid crystal material is placed between two glass plates, and a TFT electrode element on one of them controls the voltage to each pixel. A color filter on the surface of the other plate controls the color display of each pixel.



The illumination from the backlight passes through a polarized film that only allows light with a certain orientation to pass through. If the light it allows to pass is in the same orientation as the polarized film, it passes through to the display surface. Light from pixels with untwisted liquid crystal molecules cannot pass through the opposite polarized film, so such pixels are not illuminated.



The Liquid Crystal Market and Ushio's Light

A commanding share of key processes

The LCD market is showing dramatic growth, driven by demand for computer monitors, notebook PCs, televisions as well as mobile telephones, and has in recent years become the most closely watched industrial sector. Ushio light sources and other equipment used in liquid crystal display manufacturing processes are strongly competitive and hold high market shares, and further expansion of demand is forecast to result from the growth of this market.

Ushio's Fundamental Strategies

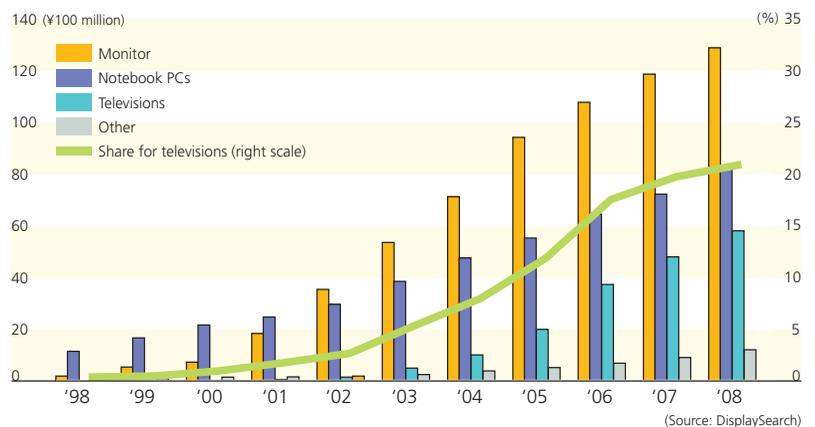
Ushio controls most of the market for lithography lamps, for TFTs and color filters. The growth of demand is tied to market expansion and greater use of lamps for larger screen sizes, and this will be one force driving performance in the future. Advances in manufacturing processes will allow the use of products other than lamps that employ light, and a firm grasp of these market needs is the key to growth.

Increased productivity is a top priority in our LCD manufacturing processes, and we are achieving a series of process innovations to which light is key. Ushio's fundamental marketing strategy is to secure high shares of markets, irrespective of the industry, by remaining in the vanguard of such advances.

The LCD market provides a classic example of Ushio's successful strategy in a market that is both changing and growing.

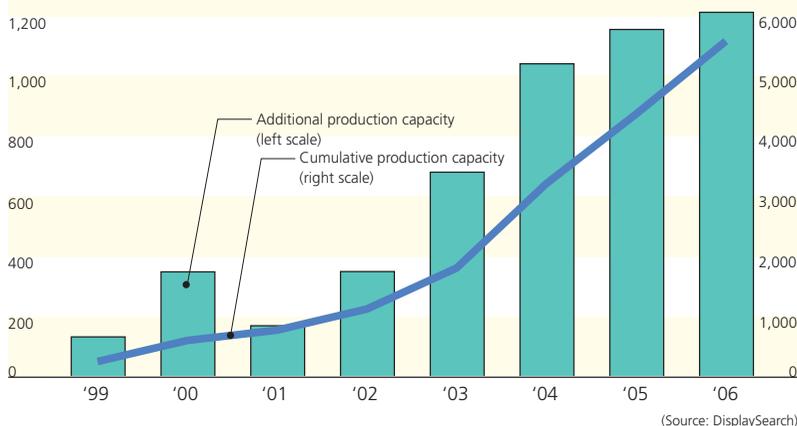


Scope of Markets for Large-Screen TFT Liquid Crystal Displays by Application (units)



(Source: DisplaySearch)

Monthly Production of Substrate (unit: 1,000 m²)



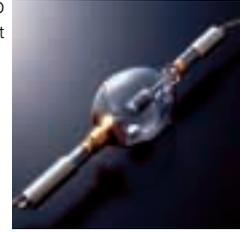
(Source: DisplaySearch)

Trends in the Liquid Crystal Display Market

In terms of surface area produced, LCD manufacturing increased 60.2% between calendar years 2002 and 2003. A growth rate of 45.5% is predicted through 2006, so forecasts for conditions in this market are very favorable.

By application, the use of LCDs in PC monitors will continue to increase, with a continuing trend toward widescreen models, larger screen sizes, and higher resolution. The use of LCDs in notebook PCs will grow steadily. Also forecast is increasing market penetration of flatscreen displays and the increasing use of LCDs in TVs as a result of the advent of digital broadcasting. Because TV screen sizes will grow together with the number of sets sold, these products will provide traction for market growth.

UV light sources for LCD circuit exposure equipment



Offering "Light Solutions" Using a Wide Range of Processes

Ushio's light sources and optical devices have come to play vital roles in many processes, and are equally important for progress to be achieved with larger screen sizes with higher resolution, and in raising the efficiency of manufacturing.

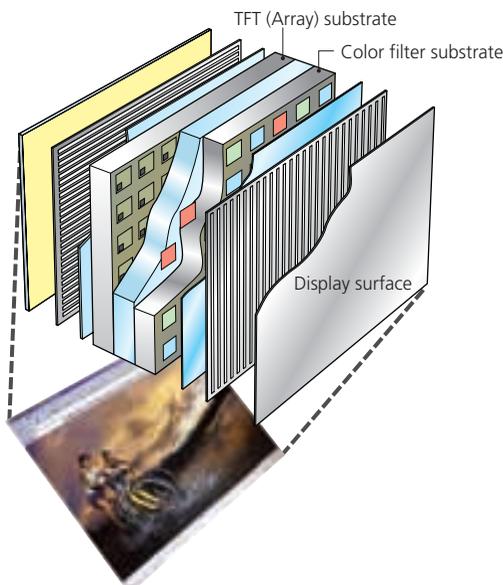
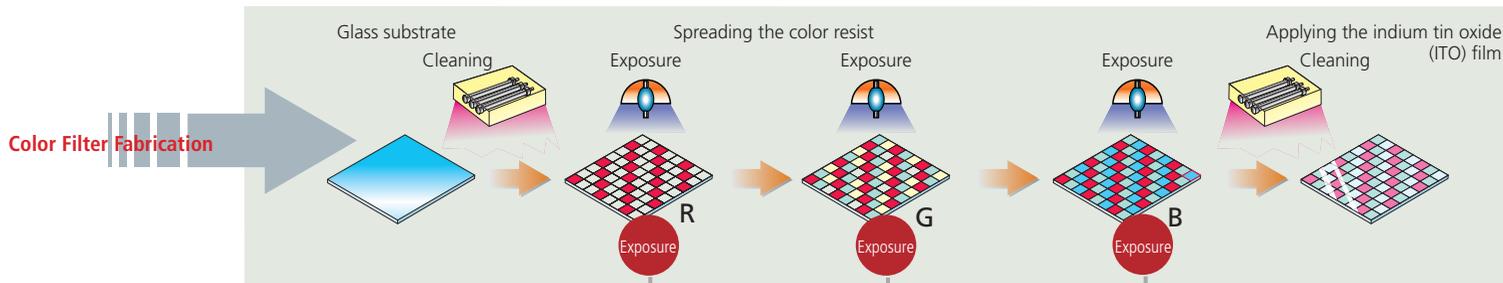
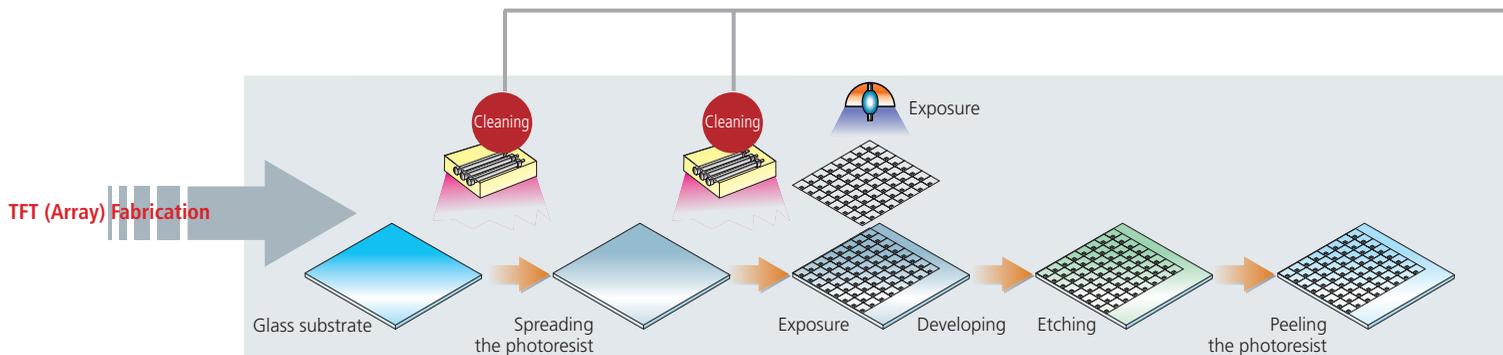
In addition to exposure system light sources for TFTs and color filters, the Company has developed applications for light technology in substrate cleaning and bonding, and has a large share of the market for these products. Ushio is also highly renowned for new products that contribute to innovation in LCD manufacturing processes, such as forming alignment film and spacers using light.

By showing the LCD manufacturing process, we would like to introduce some of the roles and properties of Ushio's light sources and products.

Ushio's technology

TFT (Array) Fabrication

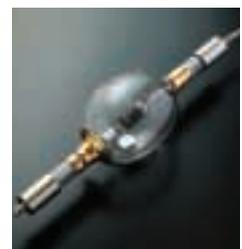
A TFT that controls the voltage to every pixel is formed on the surface of a glass substrate. The TFT, which switches the current to each pixel on and off, is formed using a photolithography process like an IC. Ushio's UV lithography lamps are used to expose the TFT circuits, and the Company has an 80% share of this market.



Ushio's technology

Color Filter Fabrication

On the surface of the other glass substrate, a red-green-blue (RGB) color filter for each pixel is formed. In the pigment dispersion method, which is now the mainstream, photolithography technology is used as with the array above. The Company's UV lithography lamps are used in this process as well.



UV light sources for color filter exposure equipment

Ushio's technology



Light units for excimer LCD panel cleansing systems

Substrate Cleaning

Yield ratio is stressed in LCD manufacturing processes, and cleaning, which is repeated at every stage, is an extremely important part of this. Ushio's Excimer VUV/O3 surface cleaning equipment offers faster, more thorough cleaning. Irradiation with vacuum ultraviolet (VUV) rays breaks down and eliminates organic substances that can cause contamination in a split second, greatly shortening cleaning times and increasing yield ratios.



Excimer light source



TAB exposure system

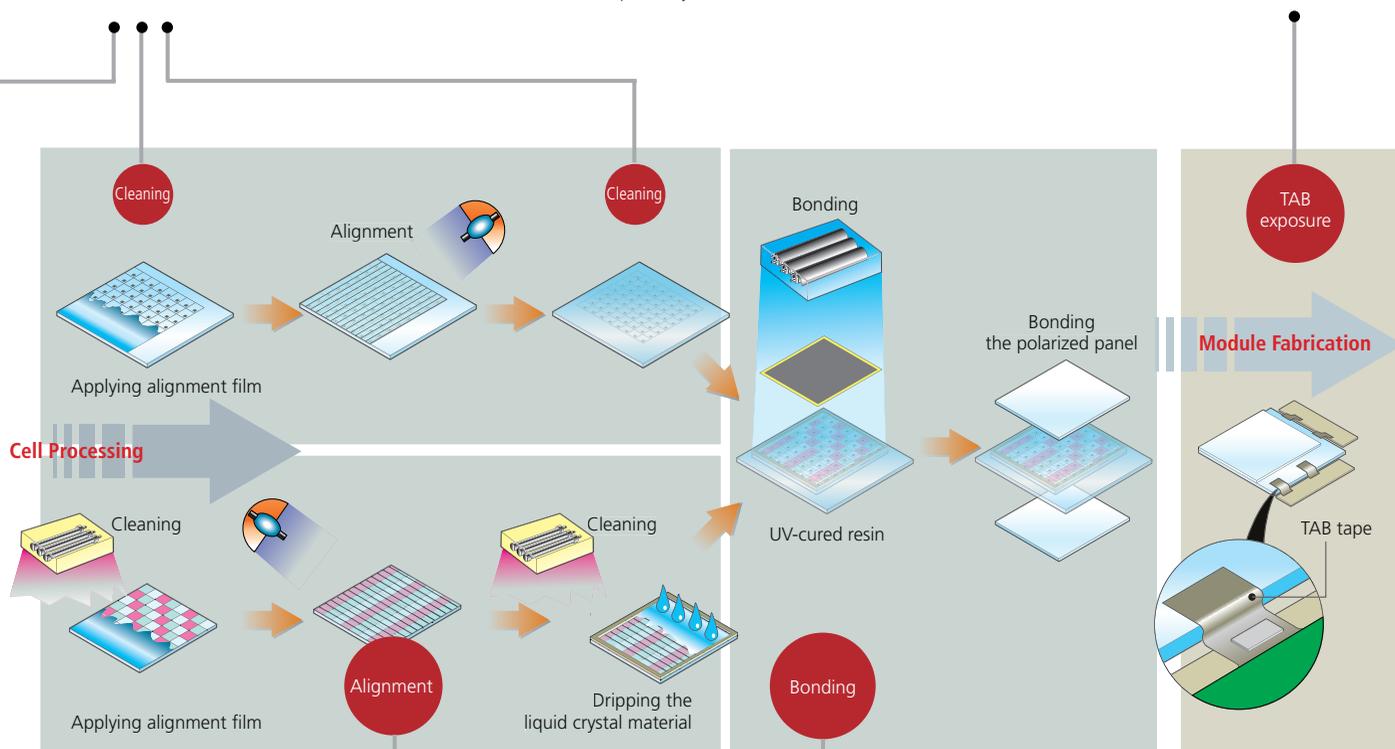
Ushio's technology

Module Fabrication

An IC is mounted to drive the cells of the substrate, with liquid crystal material bonded inside. The TAB method is used, which involves mounting a bare chip using a flexible, lightweight, and thin tape substrate. Ushio is the world's only provider of the TAB exposure equipment needed to burn the circuits into the substrate.



TAB Tape



Ushio's technology

Light Alignment

To align liquid crystal molecules in a constant direction, the surfaces of both the TFT and color filter substrates are coated with an alignment film. To allow the efficient processing of the larger areas represented by larger panels, we are studying the use of a rubbingless and contact-free method employing light.



Photo-alignment system

Ushio's technology

Panel Bonding

After the glass substrates are prepared, they are bonded together trapping liquid crystal material between them. A drip method of bonding the panel, which allows excess liquid crystal material to drip out before bonding, has come to be used in recent years, because it shortens processing time. Ushio's ultraviolet irradiation equipment is indispensable to UV resin curing, which is unaffected by the presence of liquid crystal material.



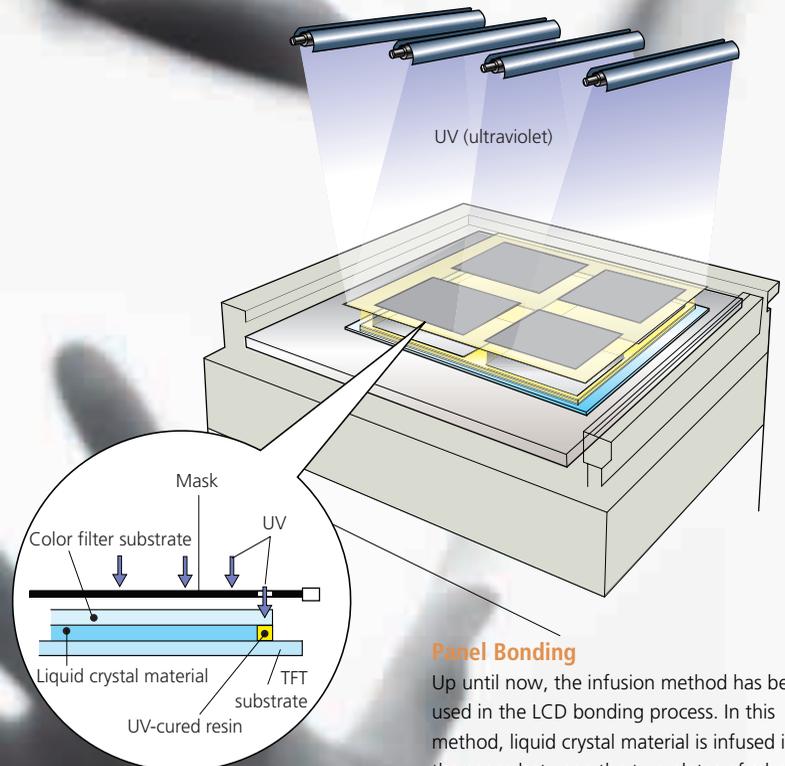
UV irradiation equipment for drip method panel bonding

Ushio Products and Technology that Contribute to Innovation in Manufacturing Processes

The realm of applications for light is expanding

Light can deliver energy in a split second, with no side effects, as a substitute for heat or chemical treatments in a number of processes. There are possibilities for the application of effective, efficient methods using light in many fields.

Ushio offers technology and products that apply the properties of light in the field of LCD manufacturing, contributing to innovation in manufacturing processes. We expect this technology to be applicable to other types of flat panel display as well, including PDPs and organic electroluminescence displays, as Ushio continues to expand the possibilities of light.



The UV irradiation strikes only the resin on the mask.

Panel Bonding

Up until now, the infusion method has been used in the LCD bonding process. In this method, liquid crystal material is infused into the space between the two plates of a bonded panel using osmotic pressure, which is inefficient in that it is too time consuming.

In the drip method, liquid crystal material is dripped onto one side of the glass substrates prior to bonding, and this material is encapsulated between the glass substrates at the time of bonding. This greatly reduces the time required for the process, and the use of this method is increasing rapidly.

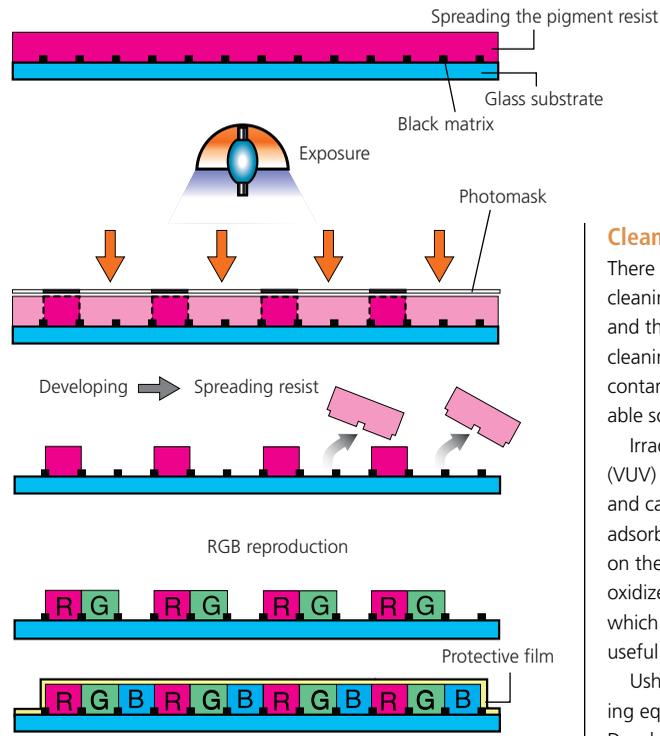
Because the liquid crystal material is encapsulated at bonding when the drip method is used, low temperatures and quick processing are required. For this reason, instantaneous resin curing using ultraviolet irradiation is used to prevent adverse side effects on the liquid crystal material.

Ushio is proceeding with the development of UV irradiation equipment jointly with equipment manufacturers. Almost all drip method bonding equipment uses Ushio's UV irradiation units.

Lithography Light Sources

The exposure light sources and technology that Ushio has developed in the course of its semiconductor operations are also useful in TFT circuit and color filter exposure in LCD panel manufacturing. Semiconductor manufacturing firms are working to reduce circuit width to 50 - 60nm, at the same time that LCD panel substrates are increasing in size. Ushio is taking immediate steps in response, which will allow the Company to deal with these correspondingly larger sizes quickly, correctly, and efficiently.

The standard size of a 5th generation substrate, now the mainstream, is 1,100mm × 1,300mm. The 6th generation will be 1,500mm × 1,800mm, the 7th generation 1,800mm × 2,200mm, and the 8th generation will be larger than 2,000mm square. These larger panels will require equipment with multiple light sources or lamps with higher output, and this will bring rising demand for Ushio's light sources.

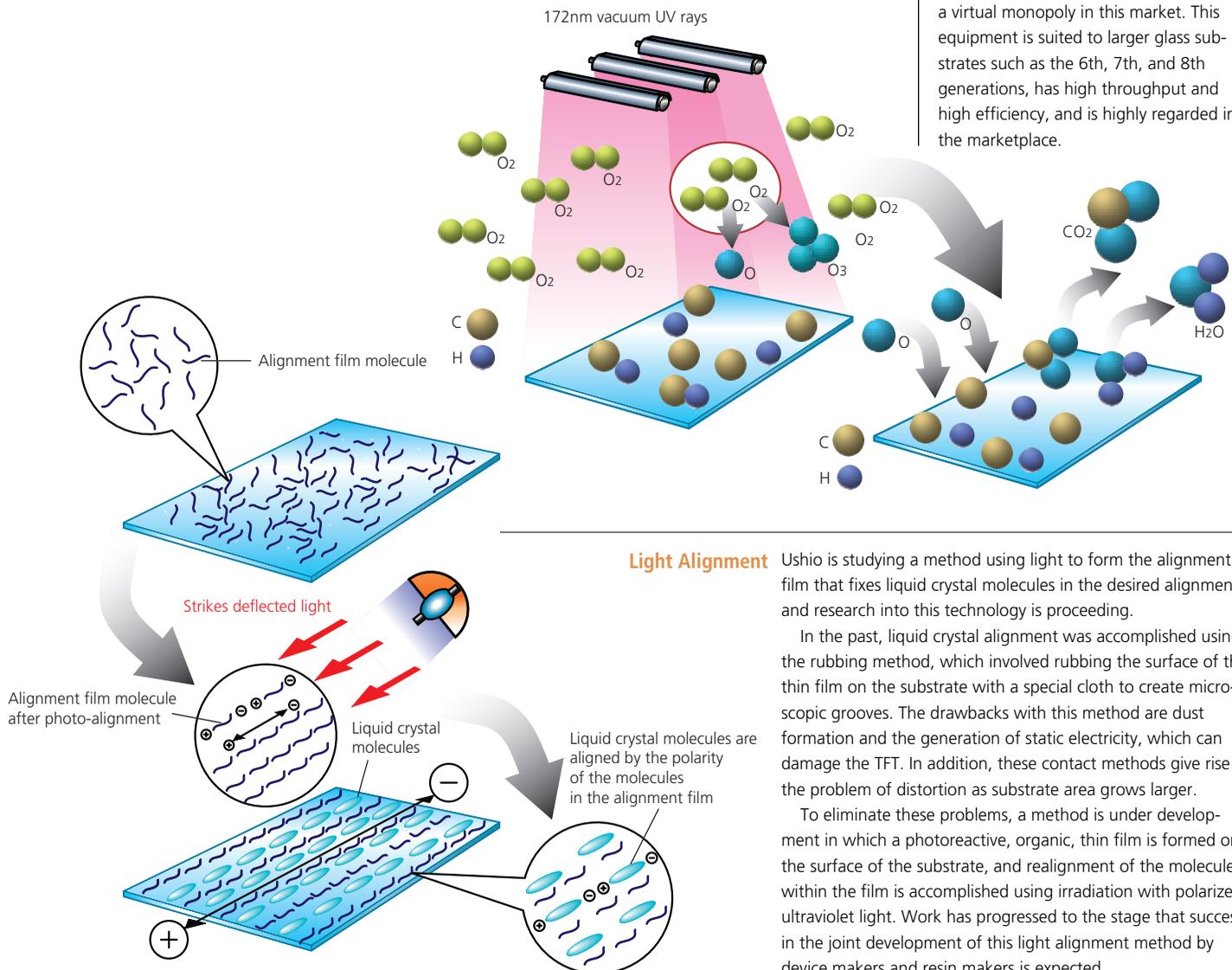


Cleaning with Light

There is a need for faster, more complete cleaning processes in LCD manufacturing, and the use of light allows instantaneous cleaning with no side effects or secondary contamination, making it the most suitable solution.

Irradiation with vacuum ultraviolet (VUV) rays breaks down oxygen molecules and causes the formation of ozone, which adsorbs and breaks down organic matter on the surface of the substrate. It also oxidizes the surface of the substrate, which increases its hydrophilia, which is a useful surface treatment effect.

Ushio's Excimer VUV/O₃ surface cleaning equipment functions in this way. Developed through research conducted jointly with users, this product is firmly established in the industry, and Ushio has a virtual monopoly in this market. This equipment is suited to larger glass substrates such as the 6th, 7th, and 8th generations, has high throughput and high efficiency, and is highly regarded in the marketplace.



Light Alignment

Ushio is studying a method using light to form the alignment film that fixes liquid crystal molecules in the desired alignment, and research into this technology is proceeding.

In the past, liquid crystal alignment was accomplished using the rubbing method, which involved rubbing the surface of the thin film on the substrate with a special cloth to create microscopic grooves. The drawbacks with this method are dust formation and the generation of static electricity, which can damage the TFT. In addition, these contact methods give rise to the problem of distortion as substrate area grows larger.

To eliminate these problems, a method is under development in which a photoreactive, organic, thin film is formed on the surface of the substrate, and realignment of the molecules within the film is accomplished using irradiation with polarized ultraviolet light. Work has progressed to the stage that success in the joint development of this light alignment method by device makers and resin makers is expected.

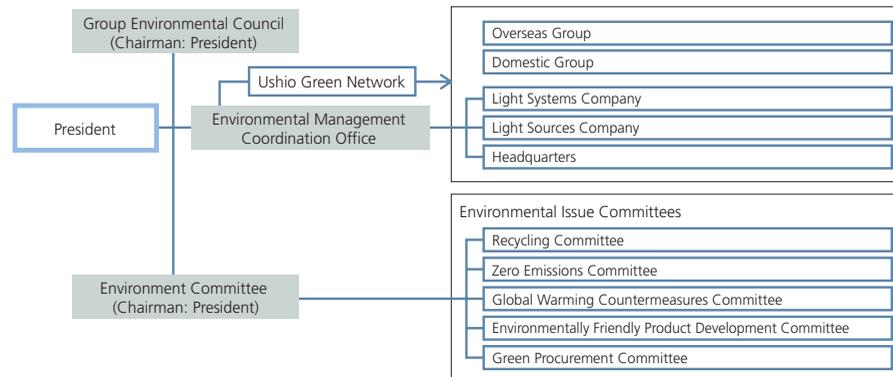
Environmental Activities

Environmental Activities

At Ushio, we regard the realization of a sustainable society in harmony with the environment to be one of the most important issues facing the Company. We have, therefore, established an environmental policy that clarifies our stance with regard to the environment, and at the same time calls for regulatory compliance, environmental protection activities, and the efficient utilization of resources.

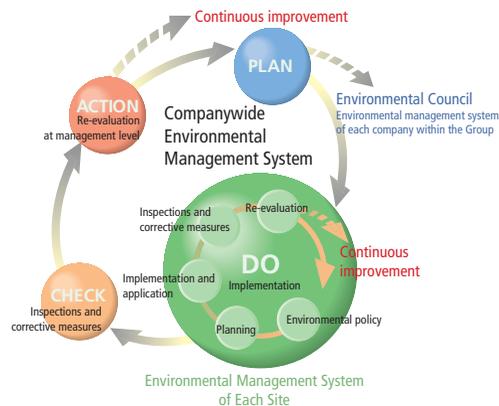
Ushio has formulated an Environmental Action Plan to carry the Group through 2006, and has established an environmental committee to have charge of decision-making, environmental awareness, and management of environmental programs. In addition, the Company has established separate committees to handle each environmental issue. This unified structure for the pursuit of environmental activities includes every company in the Ushio Group.

Environmental Organization
Beginning this fiscal year, we have maintained separate records of the environmental activities of each business unit. This verifies that all the business units are engaged in environmental protection and environmental risk abatement activities in the course of their everyday operations.



Environmental Management System

Ushio has formulated an Environmental Action Plan based on its environmental policy. To ensure continuous progress, each business site independently executes its own environment management program. In addition, there are two interlocking cycles of environmental protection activities within the Group: the Group's complete environmental management cycle and the separate cycle at ISO 14001-certified sites.



Status of ISO 14001 Certification

Ushio plans to extend its environmental management system to include the Group's overseas plants by fiscal 2007. In fiscal 2004, Christie Digital Systems U.S.A., Inc. and Ushio Hong Kong, Ltd. were certified. So far in fiscal 2005, Taiwan Ushio Lighting, Inc. and Ushio Philippines, Inc. have been certified.

At present, Company headquarters and administrative divisions are making preparations for their main assessment for ISO certification, scheduled for December 2004, the Lamp Company's Gotemba Plant and Marketing Division (Tokyo Marketing Headquarters and Osaka Branch Office), and the Harima Plant Annex are preparing for their evaluation in October 2004. Among Ushio Group companies, Japan Electronic Technology, Inc. and Tsukuba Ushio Inc. are preparing for their main assessments in fiscal 2005.

Ushio Inc. and Domestic Group Companies

Company Name (or plant name)	ISO 14001	ISO 9000series
Harima Plant	ISO 14001 (1997.10)	ISO 9001 (1993.5)
Ushio Lighting, Inc.	ISO 14001 (2003.1)	ISO 9001 (2000.12)
System Company	ISO 14001 (2004.2)	ISO 9001 (1999.7)
Japan Electronic Technology, Inc.	Pending	ISO 9001 (1999.5)
Gunma Ushio Electric, Inc.	Pending	ISO 9001 (2002.1)
Tsukuba Ushio Electric, Inc.	Pending	ISO 9001 (2004.3)

Overseas Group Companies

Company Name (or plant name)	ISO 14001	ISO 9000series
Ushio Hong Kong Ltd.	ISO 14001 (2004.1)	ISO 9002 (1998.2)
Taiwan Ushio Lighting, Inc.	ISO 14001 (2004.3)	ISO 9002 (1997.7)
Ushio Philippines, Inc.	ISO 14001 (2004.6)	ISO 9002 (2000.12)
BLV Licht- und Vakuumtechnik GmbH		ISO 9001 (1991.12)
Christie Digital Systems Canada, Inc.		ISO 9001 (1995.8)
Ushio Taiwan, Inc.		ISO 9002 (1997.7)



Fiscal 2004 Achievements

This is Ushio's fiscal 2004 environmental theme (environmental action plan) and its actual performance. The Environmental Committee formulated a medium- and long-term environmental action plan, which sets targets for each fiscal year. From fiscal 2005, an evaluation of progress toward those goals will be incorporated into environmental activities.

2004 Environmental Activity Theme (Goals and Targets) and Achievements

Environmental Theme	Plans and Goals	Achievements (Fiscal 2004 performance, including part of the period through June 2004)
1. Developing Environmentally Friendly Products	(1) Conduct ten or more assessments of all major products	△ The number of assessments conducted was 39, which substantially exceeded the target. However, assessments of light fixtures and power sources have not yet been conducted.
	(2) During fiscal 2005 the Company formulated and commenced the execution of a plan to eliminate and find substitutes for substances covered by the European Union's Restriction of Hazardous Substances (RoHS) Directive.	○ Light Sources Company The elimination of lead from noble gas and NSH power sources proceeded according to plan. More than 85% of the Company's noble gas fluorescent lamps are now lead free, and the elimination of lead from our light sources is advancing steadily. The substitution of environmentally friendly materials for polyvinyl chloride in protective covers and lamps is also on schedule. Light Systems Company We are 80% of the way to our goal of 50% lead-free solder in new circuit boards.
2. Recycling	(1) Ushio is engaged in research into recycling technology for light sources and recycling systems, and will propose concrete action plans.	△ It has been demonstrated that recycling of light sources and recycling systems is technologically possible, but cost assessments are not yet complete.
3. Global warming countermeasures	(1) Determine actual energy consumption at the companywide level.	○ Compilation of companywide energy consumption data is complete. However, some details of methodology remain to be determined, including location and units of measurement. Studies of social trends and regulatory requirements were completed on schedule.
	(2) Formulate and execute a plan to reach the target set for fiscal 2005 of a reduction of 8% or more (compared with fiscal 1991) in CO ₂ emissions per unit of sales (energy consumption in crude oil equivalent).	△ Studies are complete and the budget has been accepted for the conversion of the Light Sources Company's new building to gas heat, with construction planned for fiscal 2005. Fiscal 2004 goals were met at the Light Sources Company's Harima Plant, which accounts for approximately 75% of the Company's electricity consumption. However, increased production and quality enhancement measures have put electricity consumption at the plant on a rising trend, and more exacting and detailed conservation measures are needed, but progress in these areas lags behind schedule.
4. Zero emissions	(1) Determine waste disposal conditions at each plant, and study social trends and regulatory requirements.	△ The volume of emissions at each plant was determined. However, some matters related to disposal remain to be implemented. Studies of social trends and regulatory requirements were completed on schedule.
	(2) Emplace systems to encourage recycling at each plant.	○ Systems to encourage recycling in the Light Sources Company and the Light Systems Company are in place.
	(3) The Light Sources Company's Harima Plant has achieved effective utilization of 90% of its waste.	○ New efforts to recycle fluorescent tubes have raised this figure to 90.3%.
5. Green procurement	(1) Formulate guidelines for green procurement of materials.	○ The Light Sources Company has published version 2, and the Light Systems Company has published its first. Our overseas Group company, Ushio Hong Kong Ltd., is following our lead and publishing its own green procurement guidelines.
	(2) Build a database of chemical substances used as materials.	○ Data input for the materials database is 90.8% complete. ○ At the Harima Plant, 99.9% on a monetary basis.
	(3) Bring green procurement of office supplies to 90%.	○ The whole company has been networked, and green procurement of office supplies is at 92.7%.
6. Other important environmental issues	(1) Formulate environmental performance indicator guidelines.	○ Guidelines are complete. Compilation of fiscal 2003 units completed in April on schedule.
	(2) ISO 14001 certification was received by the Light Systems Company in fiscal 2004. Headquarters and the Light Sources Company's Tokyo Sales Office, Osaka Branch, and Gotemba Plant will be certified in fiscal 2005.	○ The Light Systems Company received, ISO 14001 certification in February 2004. Headquarters and the Light Sources Company (Tokyo Marketing Office, Osaka Branch, and Gotemba Plant's annex) submitted applications for evaluation of their environmental management programs in March 2004. They received their expanded inspections in October, their new applicant inspections in December and established a Certification Working Group.
	(3) Formulate and implement environmental accounting guidelines.	○ Guidelines are complete. Fiscal 2004 data from each business unit was compiled and verified by internal environmental auditors against handwritten check sheets from the environmental accounting charter (May 25, 2004).
	(4) Compile and publish an Environmental Report	○ The Light Sources Company's Harima Plant published its Site Environmental Report 2003 in September 2003. ○ The Company established a working group to push for a June 2004 release of its Environmental Report.
	(5) Promote in-house and external disclosure of information.	○ The Company's in-house newsletter, "The Green Times," is distributed both internally and externally. The Environmental Management Coordination Office established a bulletin board, and the Ushio Group newsletter, Ushio Green Network (UGN) is published monthly. A publicly accessible Internet home page has been established.

(Progress: A circle indicates progress of 80% or more; a triangle indicates progress of 60 to 80%.)

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Financial Section

Five-Year Summary of Consolidated Financial Data

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

Millions of yen

	2004	2003	2002	2001	2000
For the year:					
Net sales.....	¥ 99,081	¥ 91,937	¥ 81,301	¥ 89,138	¥ 73,109
Net income.....	9,346	4,651	1,643	8,464	6,525
Capital expenditures.....	5,376	2,692	4,837	4,960	2,027
Depreciation and amortization.....	2,748	2,889	2,813	2,604	2,675
R&D expenses.....	3,358	3,355	3,557	3,683	3,826
At the year-end:					
Total assets.....	169,771	149,390	149,669	137,758	121,230
Total shareholders' equity, net.....	117,726	105,582	106,837	93,262	87,566
Cash flows:					
Net cash provided by operating activities.....	7,969	13,394	7,305	12,332	4,696
Net cash (used in) provided by investing activities...	(9,490)	(5,524)	(7,496)	(5,660)	343
Net cash used in financing activities.....	(1,592)	(4,117)	(2,112)	(1,492)	(1,029)
Per share of common stock (yen):					
Net income.....	¥ 67.36	¥ 33.14	¥ 11.77	¥ 60.62	¥ 46.73
Cash dividends.....	20.00	13.00	13.00	15.00	12.00
Net assets.....	853.40	764.94	765.32	667.93	627.17
Key financial ratios:					
Return on equity (%).....	8.4	4.4	1.6	9.4	7.7
Return on assets (%).....	5.9	3.1	1.1	6.5	5.6
Asset turnover (times).....	0.6	0.6	0.6	0.7	0.6
Return on sales (%).....	9.4	5.1	2.0	9.5	8.9

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

Financial Review

USHIO INC. AND CONSOLIDATED SUBSIDIARIES

OPERATING ENVIRONMENT

During fiscal 2004, ended March 31, 2004, the Japanese economy continued to suffer the effects of weak employment and wage performance. However, rising corporate earnings, chiefly from exports, growing private-sector capital investment, and a recovery in securities prices produced a slack recovery.

Overseas, the U.S. economy was on a recovering trend, with corporate earnings on the rise. The European economies remained stagnant, chiefly because of the rise of the euro on international exchange markets, but Asian economies showed overall recovery, led by China's sustained economic expansion.

Ushio responded to these circumstances by promoting and developing our digital projection and imaging business, which is our core business for the medium to long term, as well as next-generation light sources for semiconductor photolithography equipment and next-generation high-density mounting technology. The Company is creating a light solutions business for the future, while continuing to offer its customers a wide range of state-of-the-art light sources and lighting systems.

In fiscal 2004, Ushio made a concerted effort to increase its presence in the fields of biomedical and medicine, and has commenced a search for a biomedical and medical-related firm with which to form capital and operational ties. Together with this, we are strengthening links with universities and research institutions.

The Company is making energetic, forward-looking investment in the development of new technology and products. In addition, the entire Company has focused its efforts on improving productivity and reducing manufacturing costs. We reinforced and expanded our overseas manufacturing structure and marketing activities in an effort to foster and develop our overseas operations. As a result, consolidated net sales grew 7.8% to ¥99,081 million.

GROUP COMPANIES

The Ushio Group is composed of the parent company (Ushio Inc.), 36 subsidiaries, and two affiliates. The Group's core operations are the manufacture and sale of products that apply the special properties of light. The Ushio Group is also engaged in R&D related to its business operations and the development of other services and business activities.

RESULTS BY BUSINESS SEGMENT

Light Source Application Products

Total sales in the light source application products segment rose 8.0% to ¥95,309 million.

In the tube-style lamp product group, demand declined for halogen lamps for OA equipment, noble gas fluorescent lamps, lamps for stage lighting and lamps for general illumination. However, high-intensity discharge lamps for data projectors, lamps for excimer cleaning systems for LCD panels, UV lamps for LCD exposure systems, and xenon lamps for endoscopes enjoyed expanding demand.

The optical systems product group saw rising demand for large projection systems, ultraviolet irradiation equipment for precision component bonding, excimer cleaning systems for LCD panels, and precision exposure systems for printed circuit board substrates.

As a result of the above, operating income in this segment surged 21.8% to ¥14,798 million.

Machinery for Industrial Uses and Other Business

In the Industrial Machinery and Other Business segment total sales edged up 1.8% to ¥3,809 million. Demand for automatic control systems declined, but demand for food-wrapping machinery and equipment and some other products increased, and operating income rose to ¥207 million.

RESULTS BY GEOGRAPHIC SEGMENT

Japan

Demand for halogen lamps for OA equipment and noble gas fluorescent lamps declined in Japan, but rising demand for high-intensity discharge lamps for data projectors, UV irradiation equipment for precision component bonding, precision exposure systems for printed circuit board substrates, excimer systems for LCD panel cleansing, excimer lamps, and ultraviolet lamps for LCD exposure systems allowed total sales to increase 10.7% to ¥66,055 million.

North America

In North America, the Company consolidated and expanded its total support system, which encompasses projectors, light sources, and other equipment, as well as networking- and maintenance-related services. Sales of large projection system equipment took an upturn, and this fueled a 3.0% increase in total sales to ¥26,214 million.

Europe

In Europe, demand for xenon lamps for cinema projectors was strong, but weak demand for

lamps for stage lighting and general illumination sent total sales down 11.0% to ¥5,848 million.

Asia

Asia saw growing demand for high-intensity discharge lamps for data projectors, halogen lamps for OA equipment, Excimer VUV/O3 surface cleaning equipment for liquid crystal panel glass substrates, excimer lamps, UV lamps for LCD exposure systems, and UV irradiation equipment for precision component bonding, while sales of precision exposure systems for printed circuit boards also took an upturn. As a result, total sales expanded by 17.6% to ¥17,872 million.

OVERSEAS SALES

Ushio's total overseas sales increased 7.7% to ¥48,855 million. Of this, North America accounted for ¥19,514 million, Europe ¥7,633 million, Asia ¥20,517 million, and other regions, ¥1,189 million. Overseas sales made up 49.3% of consolidated net sales, unchanged from the previous fiscal year.

EARNINGS

Increased sales volume resulted in higher net sales, which pushed operating income up 23.1% to ¥15,006 million. Cost of sales was 6.6% higher than in the previous term, but selling, general and administrative expenses were held to a 2.2% increase. Remaining near the previous term's levels were the cost of sales ratio at 63.1% and the gross profit to net sales ratio at 36.9%. Return on assets rose 2.8% percentage points to 5.9%.

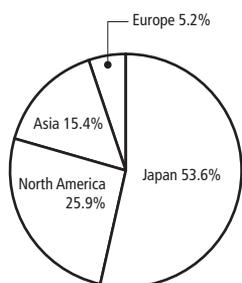
The result in part of the stock market recovery, income before income taxes and minority interests in earnings of affiliates leapt 126.3% to ¥16,203 million. The recovery in the stock market also meant that the Company posted no loss on revaluation of investment securities, which contributed to a 100.9% leap in net income, to ¥9,346 million.

LIQUIDITY AND SOURCES OF FUNDS

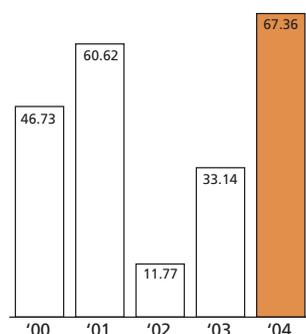
Cash Flows

Income before income taxes and minority interests in earnings of affiliates registered a substantial rise, to ¥16,203 million, but increases in notes and accounts receivable, inventories, and income taxes paid resulted in a decline in cash flows from operations. Investments of surplus funds also rose. As a

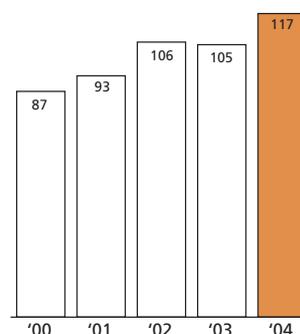
Proportion of Total Sales, by Geographic Segment



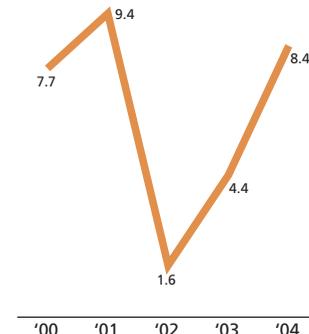
Net Income Per Share (Yen)



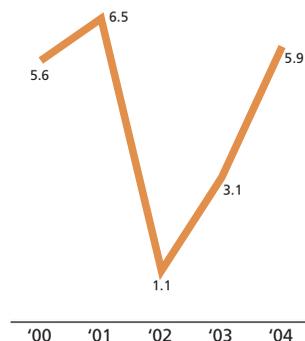
Total Shareholders' Equity (Billions of yen)



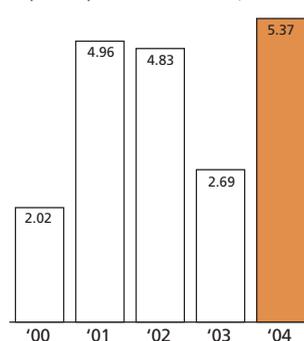
Return on Equity (%)



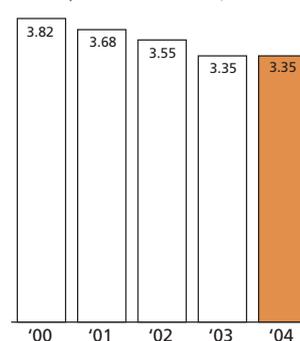
Return on Assets (%)



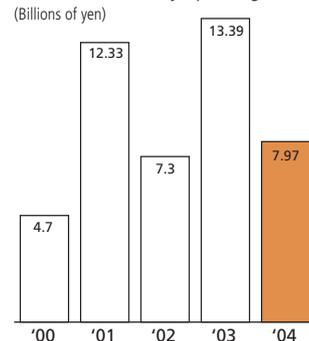
Capital Expenditures (Billions of yen)



R&D Expenditures (Billions of yen)



Net Cash Provided by Operating Activities (Billions of yen)



result, cash and cash equivalents declined by ¥3,876 million to ¥20,895 million.

Cash Flows From Operating Activities

Net cash provided by operating activities contracted by ¥5,425 million to ¥7,969 million. Although income before income taxes and minority interests in earnings of affiliates increased substantially, the expansion of sales volume brought higher figures for notes and accounts receivable and inventories, while the surge in net income pushed income taxes paid to ¥4,155 million.

Cash Flows From Investing Activities

Net cash used in investing activities increased by ¥2,966 million to ¥9,490 million, primarily as a result of the parent company's purchases of marketable securities.

Cash Flows From Financing Activities

Net cash provided by financing activities declined by ¥2,524 million to ¥1,593 million. The primary cause of the decline was the payment of cash dividends to shareholders.

FINANCIAL POSITION

At ¥169,771 million, total assets at the end of the fiscal year were up 13.6% from a year earlier.

As a result of the expansion of sales volume, notes and accounts receivable increased 18.2%

to ¥32,468 million, and inventories rose 8.7% to ¥16,650 million. As a result, total current assets grew 7.1% to ¥84,846 million. Fixed assets, at ¥24,455 million, were up 5.7% from a year earlier. As a result of a 34.6% rise in investment securities, to ¥52,007 million, total investments and other assets increased 28.7% to ¥60,470 million.

Income taxes payable at the end of the year rose 100% to ¥4,652 million, which was the primary factor in a 23.0% expansion in current liabilities, to ¥36,539 million.

Although long-term debt was reduced, an increase in deferred income taxes caused total long-term liabilities to increase by 10.2% to ¥14,700 million.

As a result of increases in retained earnings and unrealized holding gain on other securities, shareholders' equity rose 11.5% to ¥117,726 million. The shareholders' equity ratio edged down to 69.3% from last year's 70.7%.

CAPITAL INVESTMENTS

At ¥5,376 million, capital expenditures were 99.7% higher than in the previous fiscal year. Principal investments included the expansion of existing facilities, investments in businesses and

R&D in fields with significant growth potential. Investments in businesses involving light applications were ¥4,698 million (up 108.5%), and investments in industrial machinery and other businesses were ¥677 million (up 54.0%). Funds for investments came from internal reserves or were borrowed.

RESEARCH AND DEVELOPMENT

Ushio's R&D expenses were increased by ¥3 million to ¥3,358 million.

R&D programs are centered on the development and manufacturing of industrial light sources and optical technology, and extend to the fields of electronics and mechatronics, new applications for light, and the development of various essential peripheral technologies. The Company is also fostering businesses related to optical units, devices and systems.

PERSONNEL

The Ushio Group employed 3,971 people as of the end of the fiscal year, up 83 from the previous term. The parent company, Ushio Inc., had 1,371 employees at year end, up seven.

Consolidated Balance Sheets

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
At March 31, 2004 and 2003

Assets	Millions of yen		Thousands of
	2004	2003	U.S. dollars (Note 2)
Current assets:			2004
Cash and bank deposits (Note 12)	¥ 15,490	¥ 17,899	\$ 146,561
Short-term investments (Note 7)	13,111	11,107	124,051
Notes and accounts receivable (Note 3)	32,468	27,463	307,200
Less: Allowance for doubtful accounts.....	(313)	(414)	(2,961)
Inventories (Note 3)	16,650	15,319	157,536
Deferred tax assets (Note 4)	2,384	2,545	22,557
Prepaid expenses and other current assets	5,056	5,328	47,838
Total current assets	84,846	79,247	802,782
Property, plant and equipment, at cost:			
Land	8,889	8,117	84,104
Buildings and structures.....	17,618	17,298	166,695
Machinery and equipment (Note 3)	24,757	23,814	234,242
Construction in progress.....	973	707	9,206
.....	52,237	49,936	494,247
Less: Accumulated depreciation.....	(27,782)	(26,794)	(262,863)
Property, plant and equipment, net.....	24,455	23,142	231,384
Investments and other assets:			
Investment securities (Note 7)	52,007	38,633	492,071
Investments in and advances to affiliates	159	433	1,504
Deferred tax assets (Note 4)	434	664	4,106
Other assets	7,870	7,271	74,464
Total investments and other assets	60,470	47,001	572,145
Total assets	¥169,771	¥149,390	\$1,606,311

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
Liabilities, minority interests and shareholders' equity	2004	2003	2004
Current liabilities:			
Short-term bank loans (Note 3).....	¥ 8,246	¥ 8,236	\$ 78,021
Current portion of long-term debt (Note 3)	2,688	139	25,433
Notes and accounts payable	14,391	13,569	136,162
Income taxes payable	4,652	2,326	44,016
Deferred taxes liabilities (Note 4).....	1	8	9
Other current liabilities	6,561	5,437	62,078
Total current liabilities	36,539	29,715	345,719
Long-term liabilities:			
Long-term debt (Note 3).....	886	3,924	8,383
Deferred tax liabilities (Note 4).....	11,613	6,945	109,878
Retirement benefits (Note 9).....	1,579	1,804	14,940
Other long-term liabilities	622	671	5,885
Total long-term liabilities	14,700	13,344	139,086
Minority interests	806	749	7,626
Shareholders' equity (Note 10):			
Common stock:			
Authorized 300,000,000 shares;			
Issued 139,628,721 shares	19,556	19,556	185,031
Additional paid-in capital	28,119	28,119	266,052
Retained earnings.....	56,394	48,897	533,579
Unrealized holding gain on other securities.....	18,708	12,201	177,008
Translation adjustments.....	(2,925)	(1,191)	(27,675)
Total shareholders' equity, net.....	119,852	107,582	1,133,995
Treasury stock, at cost:			
1,743,258 shares in 2004 and 1,668,542 shares in 2003.....	(2,126)	(2,000)	(20,115)
Total shareholders' equity, net.....	117,726	105,582	1,113,880
Total liabilities, minority interests and shareholders' equity	¥169,771	¥149,390	\$1,606,311

See notes to consolidated financial statements.

Consolidated Statements of Income

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2004 and 2003

	Millions of yen		Thousands of
	2004	2003	U.S. dollars (Note 2)
			2004
Net sales	¥99,081	¥91,937	\$937,468
Cost of sales	62,539	58,666	591,721
Gross profit	36,542	33,271	345,747
Selling, general and administrative expenses (Note 5).....	21,536	21,081	203,766
Operating income.....	15,006	12,190	141,981
Other income (expenses):			
Interest and dividend income.....	1,119	1,214	10,588
Interest expense	(263)	(295)	(2,488)
Other, net	341	(5,948)	3,236
	1,197	(5,029)	11,326
Income before income taxes and minority interests in earnings of affiliates	16,203	7,161	153,307
Income taxes (Note 4):			
Current	6,488	3,101	61,387
Deferred.....	295	(664)	2,791
	6,783	2,437	64,178
Income before minority interests in earnings of affiliates.....	9,420	4,724	89,129
Minority interests in earnings of affiliates	(74)	(73)	(700)
Net income (Note 11).....	¥9,346	¥4,651	\$88,429

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Common stock			
Balance at beginning of year (2004—139,628,721 shares; 2003—139,628,721 shares)	¥19,556	¥19,556	\$185,031
Balance at end of year (2004—139,628,721 shares; 2003—139,628,721 shares)	¥19,556	¥19,556	\$185,031
Additional paid-in capital			
Balance at beginning of year	¥28,119	¥28,119	\$266,052
Balance at end of year	¥28,119	¥28,119	\$266,052
Retained earnings			
Balance at beginning of year	¥48,897	¥46,116	\$462,645
Add:			
Net income	9,346	4,651	88,429
Deduct:			
Cash dividends	(1,793)	(1,814)	(16,965)
Bonuses to directors and corporate auditors	(56)	(56)	(530)
Balance at end of year	¥56,394	¥48,897	\$533,579
Unrealized holding gain on other securities			
Balance at beginning of year	¥12,201	¥13,007	\$115,441
Net change during the year	6,507	(806)	61,567
Balance at end of year	¥18,708	¥12,201	\$177,008
Translation adjustments			
Balance at beginning of the year	¥ (1,191)	¥84	\$ (11,269)
Net change during the year	(1,734)	(1,275)	(16,406)
Balance at end of year	¥ (2,925)	¥ (1,191)	\$ (27,675)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Operating activities:			
Income before income taxes and minority interests in earnings of affiliates....	¥16,203	¥ 7,161	\$153,307
Depreciation and amortization.....	2,748	2,889	26,001
Interest and dividend income.....	(1,119)	(1,214)	(10,588)
Interest expense.....	263	295	2,488
Equity in losses of affiliates.....	310	986	2,933
Loss on revaluation of investment securities.....	5	2,336	47
Increase in notes and accounts receivable.....	(5,681)	(2,650)	(53,752)
Increase in inventories.....	(2,168)	(66)	(20,513)
Increase in notes and accounts payable.....	961	1,630	9,093
Other.....	(152)	3,664	(1,437)
Bonuses paid to directors and corporate auditors.....	(56)	(56)	(530)
Subtotal.....	11,314	14,975	107,049
Interest and dividend received.....	1,074	1,128	10,181
Interest paid.....	(264)	(306)	(2,498)
Income taxes paid.....	(4,155)	(2,403)	(39,332)
Net cash provided by operating activities.....	7,969	13,394	75,400
Investing activities:			
Increase in time deposits.....	(1,276)	(2,016)	(12,073)
Decrease in time deposits.....	984	1,835	9,310
Purchases of short-term investments.....	(1,345)	(660)	(12,726)
Proceeds from redemption and sale of short-term investments.....	2,863	1,126	27,089
Purchases of property, plant and equipment.....	(3,934)	(2,913)	(37,222)
Proceeds from sale of property, plant and equipment.....	214	38	2,025
Increase in investment securities.....	(8,196)	(4,352)	(77,548)
Proceeds from sale of investment securities.....	1,762	265	16,671
Increase in investments in capital.....	—	(100)	—
Decrease in investments in capital.....	105	39	993
Increase in long-term loans.....	(216)	(1,157)	(2,044)
Decrease in long-term loans.....	13	1,306	123
Other.....	(464)	65	(4,389)
Net cash used in investing activities.....	(9,490)	(6,524)	(89,791)
Financing activities:			
Increase in short-term bank loans.....	842	283	7,967
Proceeds from long-term bank loans.....	182	1,280	1,722
Repayment of long-term debt.....	(670)	(1,878)	(6,339)
Purchase of treasury stocks.....	(126)	(1,955)	(1,192)
Payment of dividends to minority interests.....	(26)	(32)	(246)
Cash dividends paid to shareholders of the Company.....	(1,795)	(1,815)	(16,984)
Net cash used in financing activities.....	(1,593)	(4,117)	(15,072)
Effect of exchange rate changes on cash and cash equivalents.....	(762)	(471)	(7,210)
Net (decrease) increase in cash and cash equivalents.....	(3,876)	2,282	(36,673)
Cash and cash equivalents at beginning of the year.....	24,771	22,489	234,374
Cash and cash equivalents at end of the year (Note 12).....	¥20,895	¥24,771	\$197,701

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

USHIO INC. AND CONSOLIDATED SUBSIDIARIES
March 31, 2004

1. Summary of Significant Accounting Policies

(a) Basis of presentation

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

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

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

(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 intercompany balances and transactions have been eliminated in consolidation.

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

All assets and liabilities of the consolidated subsidiaries and affiliates are revalued on acquisition, if applicable, and the excess of cost over underlying net equity in assets at the date of acquisition is charged or credited to income as an extraordinary item when incurred if immaterial.

(c) Foreign currency translation

The revenue and expense accounts of the 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 material	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. The fair value of plan assets under the employees' pension fund scheme exceeds the retirement benefit obligations of the plan, adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. This excess has thus been recognized as prepaid pension expenses. 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 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 its 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 appropriation. See Note 14.

For the convenience of the reader, the accompanying consolidated financial statements with respect to the year ended March 31, 2004 have been presented in U.S. dollars by translating all yen amounts at ¥105.69 = US\$1.00, the exchange rate prevailing on March 31, 2004. 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.

2. U.S. Dollar Amounts

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 0.57% to 9.00% and from 0.53% to 9.00% per annum at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
USHIO INC.:			
Loans from banks, due through 2005 at rates from 0.64% to 0.68%....	¥2,940	¥2,940	\$27,817
Subsidiaries:			
Loans from banks, due through 2007 at rates from 0.61% to 5.80%.....	634	1,123	5,999
Total long-term debt.....	3,574	4,063	33,816
Less: Current portion	2,688	139	25,433
	¥ 886	¥3,924	\$ 8,383

The assets pledged as collateral for debt at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
Accounts receivable	¥ 61	\$ 577
Inventories.....	131	1,240
Machinery and equipment	37	350
	¥229	\$2,166

The related debt for which the above assets were pledged as collateral at March 31, 2004 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term bank loans.....	¥22	\$208
Current portion of long-term debt	8	76
Long-term debt.....	8	76
	¥38	\$360

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥2,688	\$25,433
2006	534	5,053
2007	102	965
2008	250	2,365
2009.....	—	—
	¥3,574	\$33,816

4. Income Taxes

Income taxes applicable to the Company and certain of its domestic subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 42.1% for 2004 and 2003. 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, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Enterprise tax payable	¥ 501	¥ 225	\$ 4,740
Allowance for employees' bonuses.....	752	631	7,115
Retirement benefit expenses.....	1,437	1,283	13,596
Allowance and accrual for retirement benefits for directors and corporate auditors.....	685	660	6,481
Net loss carryforward	264	611	2,498
Other	1,567	1,977	14,827
Total deferred tax assets	5,206	5,387	49,257
Deferred tax liabilities:			
Unrealized holding gain on other securities	(12,826)	(8,360)	(121,354)
Depreciation.....	(136)	—	(1,287)
Gain on contribution of securities to employees' retirement benefit trust	(766)	(533)	(7,248)
Other	(274)	(238)	(2,592)
Total deferred tax liabilities	(14,002)	(9,131)	(132,481)
Net deferred tax liabilities.....	¥ (8,796)	¥ (3,744)	\$ (83,224)

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

	2004	2003
Statutory tax rate	—	42.1%
Reconciliation:		
Equity in losses of affiliates	—	5.8
Increase (decrease) in valuation allowance for deferred tax assets	—	(1.5)
Income unrecognized for income tax purposes	—	(3.3)
Expense non-deductible for income tax purposes	—	3.6
Different tax rates applied to foreign subsidiaries.....	—	(8.0)
Other	—	(4.7)
Effective tax rate	—	34.0%

A reconciliation between the statutory and effective tax rates for the year ended March 31, 2004 is not provided (as permitted) because the difference between the two tax rates was less than 5% of the statutory tax rate.

Research and development expenses charged to income for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
	¥3,358	¥3,355	\$31,772

5. Research and Development Expenses

6. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2004 and 2003, 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, 2004			
Acquisition costs	¥96	¥444	¥540
Accumulated depreciation	66	257	323
Book value.....	¥30	¥187	¥217
	Thousands of U.S. dollars		
Acquisition costs	\$908	\$4,201	\$5,109
Accumulated depreciation	624	2,432	3,056
Book value.....	\$284	\$1,769	\$2,053

Millions of yen

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

Lease expenses relating to finance leases accounted for as operating leases for the years ended March 31, 2004 and 2003 were ¥126 (\$1,192 thousand) million and ¥150 million, respectively. The following pro forma amounts represent interest expense and depreciation for the years ended March 31, 2004 and 2003, 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.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Interest expense	¥126	¥150	\$1,192
Depreciation	126	150	1,192

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2004 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	¥99	\$937
Due subsequent to one year	118	1,116
Total	¥217	\$2,053

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.

7. Short-Term Investments and Investment Securities

Information regarding securities classified as trading securities, held-to-maturity securities and other securities as of March 31, 2004 and 2003 is as follows:

1. Trading securities

As of March 31, 2004	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Gain	Carrying value	Gain
	¥396	¥529	\$3,747	\$5,005

As of March 31, 2003	Millions of yen	
	Carrying value	Loss
	¥394	¥(96)

2. Marketable held-to-maturity securities

As of March 31, 2004	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 value exceeds their carrying value:						
(1) Government bonds, municipal bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
(2) Corporate bonds	324	328	4	3,066	3,103	37
(3) Other	210	210	—	1,987	1,987	—
Subtotal	534	538	4	5,053	5,090	37
Securities whose carrying value exceeds their estimated fair value:						
(1) Government bonds, municipal bonds	—	—	—	—	—	—
(2) Corporate bonds	—	—	—	—	—	—
(3) Other	0	0	—	0	0	—
Subtotal	0	0	—	0	0	—
Total	¥534	¥538	¥ 4	\$5,053	\$5,090	\$37

As of March 31, 2003	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated value exceeds their carrying value:			
(1) Government bonds, municipal bonds	¥ —	¥ —	¥—
(2) Corporate bonds.....	374	375	1
(3) Other.....	—	—	—
Subtotal.....	374	375	1
Securities whose carrying value exceeds their estimated fair value:			
(1) Government bonds, municipal bonds	—	—	—
(2) Corporate bonds.....	129	128	(1)
(3) Other.....	—	—	—
Subtotal.....	129	128	(1)
Total.....	¥503	¥503	¥ 0

3. Marketable other securities

As of March 31, 2004	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.....	¥ 8,795	¥40,103	¥31,308	\$ 83,215	\$379,440	\$296,225
(2) Bonds						
Government bonds,						
municipal bonds	3,292	3,655	363	31,147	34,582	3,435
Corporate bonds.....	2,727	2,844	117	25,802	26,909	1,107
Other	104	156	52	984	1,476	492
(3) Other	491	614	123	4,645	5,809	1,163
Subtotal	15,409	47,372	31,963	145,794	448,216	302,422
Securities whose acquisition cost exceeds their carrying value:						
(1) Stock.....	298	268	(30)	2,820	2,536	(284)
(2) Bonds						
Government bonds,						
municipal bonds	—	—	—	—	—	—
Corporate bonds.....	6,539	6,073	(466)	61,869	57,460	(4,409)
Other	—	—	—	—	—	—
(3) Other	3,252	3,065	(187)	30,769	29,000	(1,769)
Subtotal	10,089	9,406	(683)	95,459	88,996	(6,462)
Total	¥25,498	¥56,778	¥31,280	\$241,252	\$537,212	\$295,960

As of March 31, 2003	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose acquisition cost exceeds their carrying value:			
(1) Stock.....	¥5,352	¥24,443	¥19,091
(2) Bonds			
Government bonds,			
municipal bonds	4,287	5,639	1,352
Corporate bonds.....	3,371	3,930	559
Other	—	—	—
(3) Other	—	—	—
Subtotal	13,010	34,012	21,002

8. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2004, and 2003:

(Currency-related transactions)

As of March 31, 2004	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\$	¥ 171	¥ 169	¥ 2	\$ 1,618	\$ 1,599	\$ 19
Euro	26	26	(0)	246	246	(0)
Buy: Yen	1,054	1,039	15	9,973	9,831	142
Total	¥1,251	¥1,234	¥17	\$11,837	\$11,676	\$161

As of March 31, 2003	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Bi-Lateral Transaction:			
Forward foreign exchange contracts			
Sell: US\$	¥349	¥348	¥1
Euro	247	255	(8)
Total	¥596	¥603	¥(7)

9. Retirement Benefits Plans

The Company and certain of its consolidated subsidiaries have defined benefit plans such as welfare pension fund plans and lump-sum payment plans, covering substantially all employees who are entitled 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, 2004 and 2003 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
(1) Retirement benefit obligation.....	¥(12,275)	¥(12,368)	\$(116,142)
(2) Plan assets at fair value (including the trust fund for retirement benefits)	10,361	7,520	98,032
(3) Unfunded net retirement benefit obligation (1)+(2).....	(1,914)	(4,848)	(18,110)
(4) Unrecognized actuarial gain or loss	2,293	4,839	21,696
(5) Unrecognized prior service cost.....	(444)	(625)	(4,201)
(6) Net liability for retirement benefits (3)+(4)+(5).....	(65)	(634)	(615)
(7) Prepaid pension expenses	300	—	2,838
(8) Accrued retirement benefits (6)-(7)	¥ (365)	¥ (634)	\$ (3,453)

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, 2004 and 2003 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
(1) Service cost ^{*1,2}	¥ 743	¥765	\$ 7,030
(2) Interest cost	362	323	3,425
(3) Expected return on plan assets.....	(239)	(256)	(2,261)
(4) Amortization of actuarial gain or loss	337	190	3,189
(5) Amortization of prior service cost	(36)	(45)	(341)
Total retirement benefit expenses	¥1,167	¥977	\$11,042

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:

	2004	2003
Discount rate.....	3.0%	3.0%
Expected return on plan assets	4.5%	4.5%
Actual cost method	Unit credit method	
Amortization period of prior service cost	15 years (straight-line method)	
Amortization period of actuarial gain or loss.....	15 years (straight-line method)	

10. Shareholders' Equity

The Commercial Code of Japan provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolutions of the shareholders.

11. Amounts Per Share

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

	Yen		U.S. dollars
Years ended March 31,	2004	2003	2004
Net income	¥ 67.36	¥ 33.14	\$0.64
Net assets	853.40	764.94	8.07

Per share amounts assuming full dilution have not been presented because no common stock equivalents remained outstanding as of March 31, 2004 and 2003.

12. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and bank deposits	¥15,490	¥17,899	\$146,561
Time deposits with a maturity of more than three months	(876)	(617)	(8,288)
Short-term investments.....	13,111	11,107	124,051
Equity and debt securities with a maturity of more than three months ...	(6,830)	(3,618)	(64,623)
Cash and cash equivalents	¥20,895	¥24,771	\$197,701

13. Segment Information

The business and geographical segment information and overseas sales for the Company and its subsidiaries for the years ended March 31, 2004 and 2003 are outlined as follows:

Business segments

	Millions of yen				
	Light source application products	Machinery for industrial uses and other business	Total	Eliminations or unallocated amounts	Consolidated
Year ended March 31, 2004					
I. Sales and operating income					
Sales to external customers.....	¥ 95,291	¥3,790	¥ 99,081	¥ —	¥ 99,081
Intersegment sales or transfers	18	19	37	(37)	—
Total sales.....	95,309	3,809	99,118	(37)	99,081
Operating expenses.....	80,511	3,602	84,113	(38)	84,075
Operating income.....	¥ 14,798	¥207	¥ 15,005	¥ 1	¥ 15,006
II. Total assets, depreciation and capital expenditures					
Total assets	¥122,608	¥7,250	¥119,858	¥49,913	¥169,771
Depreciation	2,585	163	2,748	—	2,748
Capital expenditures.....	4,699	677	5,376	—	5,376

Thousands of U.S. dollars					
Year ended March 31, 2004	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.....	\$ 901,608	\$35,860	\$ 937,468	\$ —	\$ 937,468
Intersegment sales or transfers	170	180	350	(350)	—
Total sales.....	901,778	36,040	937,818	(350)	937,468
Operating expenses.....	761,766	34,081	795,847	(360)	795,487
Operating income.....	\$ 140,012	\$ 1,959	\$ 141,971	\$ 10	\$ 141,981
II. Total assets, depreciation and capital expenditures					
Total assets.....	\$1,065,455	\$68,597	\$1,134,052	\$472,259	\$1,606,311
Depreciation	24,459	1,542	26,001	—	26,001
Capital expenditures.....	44,460	6,406	50,866	—	50,866

Millions of yen					
Year ended March 31, 2003	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

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 ¥53,789 million (\$508,932 thousand) and ¥42,083 million as of March 31, 2004 and 2003, 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, 2004	Japan	North America	Europe	Asia	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers.....	¥53,074	¥25,620	¥5,131	¥15,256	¥ 99,081	¥ —	¥ 99,081
Intersegment sales or transfers ..	12,981	594	717	2,616	16,908	(16,908)	—
Total sales.....	66,055	26,214	5,848	17,872	115,990	(16,908)	99,081
Operating expenses.....	54,639	25,219	5,544	15,495	100,897	(16,822)	84,075
Operating income	¥11,416	¥ 995	¥ 304	¥ 2,377	¥ 15,092	¥ (86)	¥ 15,006
II. Total assets.....							
	¥95,889	¥19,010	¥9,589	¥12,923	¥137,411	¥ 32,360	¥169,771

Thousands of U.S. dollars							
I. Sales and operating income							
Sales to external customers.....	\$502,166	\$242,407	\$48,548	\$144,347	\$ 937,468	\$ —	\$ 937,468
Intersegment sales or transfers ..	122,821	5,620	6,784	24,752	159,977	(159,977)	—
Total sales.....	624,987	248,027	55,332	169,099	1,097,445	(159,977)	937,468
Operating expenses.....	516,974	238,613	52,455	146,608	954,650	(159,163)	795,487
Operating income	\$108,013	\$ 9,414	\$ 2,877	\$ 22,491	\$ 142,795	\$ (814)	\$ 141,981
II. Total assets.....							
	\$907,266	\$179,866	\$90,728	\$122,273	\$1,300,133	\$ 306,178	\$1,606,311

							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	

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—China, Taiwan, Korea, Philippines, Singapore
c) Included in eliminations or the unallocated amounts of total assets were unallocated amounts totaling ¥53,789 million (\$508,932 thousand) and ¥42,083 million as of March 31, 2004 and 2003, 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, 2004	North America	Europe	Asia	Other areas	Total			
III. Overseas sales								
Overseas sales	¥19,516	¥7,633	¥20,517	¥1,189	¥48,855			
Consolidated net sales.....						¥99,081		
Overseas sales as a percentage of consolidated net sales	19.7%	7.7%	20.7%	1.2%	49.3%			

						Thousands of U.S. dollars		
Year ended March 31, 2004	North America	Europe	Asia	Other areas	Total			
III. Overseas sales								
Overseas sales	\$184,653	\$72,221	\$194,124	\$11,250	\$462,248			
Consolidated net sales.....						\$937,468		
Overseas sales as a percentage of consolidated net sales	19.7%	7.7%	20.7%	1.2%	49.3%			

							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%			

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—China, Taiwan, Korea, Philippines, Singapore
(4) Other areas—Argentina, Brazil
c) Overseas sales are sales of the Company and its subsidiaries.

14. Subsequent Events

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, 2004, were approved at a shareholders' meeting held on June 29, 2004:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥20 = U.S.\$0.189 per share).....	¥2,757	\$26,086
Bonuses to directors and corporate auditors.....	40	378
	¥2,797	\$26,464

Report of Independent Auditors

The Board of Directors
USHIO INC.



Certified Public Accountants
10800 Aomori Bldg.
2-2-3, Aomori-ku,
Chiyoda-ku, Tokyo 100-8011
C. No. 1196, Subject 100-8401
Phone: 03-3333-1100
Fax: 03-3333-1197

We have audited the accompanying consolidated balance sheets of USHIO INC. and consolidated subsidiaries as of March 31, 2004 and 2003 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 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, 2004 and 2003 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, 2004 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.

Shin Nihon & Co.

June 29, 2004

Domestic Group Companies

March 31, 2004

Japan

USHIO LIGHTING, INC.

Business activities:

Manufacture and sale of halogen lamps, halogen heater lamps, metal halide lamps, xenon flash lamps, movie systems, lighting systems, factory automation systems, food wrapping systems and other products

Fukusaki Head Office / Plant

860-22, Saiji, Fukusaki-cho, Kanzaki-gun, Hyogo 679-2215

TEL: (0790) 22-6371

FAX: (0790) 22-6502

Tokyo Head Office

Izumikan Sanban-cho Bldg., 3-8, Sanban-cho, Chiyoda-ku, Tokyo 102-0075

TEL:(03) 3288-8411

FAX:(03) 3288-8400

GIGAPHOTON, INC.

Business activities:

Development, manufacture, and sale of excimer laser products for semiconductor photolithography

400, Yokokurashinden, Oyama, Tochigi 323-8558

TEL:(0285) 28-8410

FAX:(0285) 28-8439

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

NIHON DENSHI GIJUTSU, INC.

Business activities:

Design, production and sale of control circuits

2-2-27, Takane, Sagami-hara, Kanagawa 229-0021

TEL:(0427)56-9400

FAX:(0427)58-6847

Osaka Branch

Ushio Lighting, Inc. (Fukusaki Head Office/Plant)

Harima Division (Himeji)

Gotemba Division

Nihon Denshi Gijutsu, Inc.

Yokohama Division

Gunma Ushio Electric, Inc.

Gigaphoton, Inc.

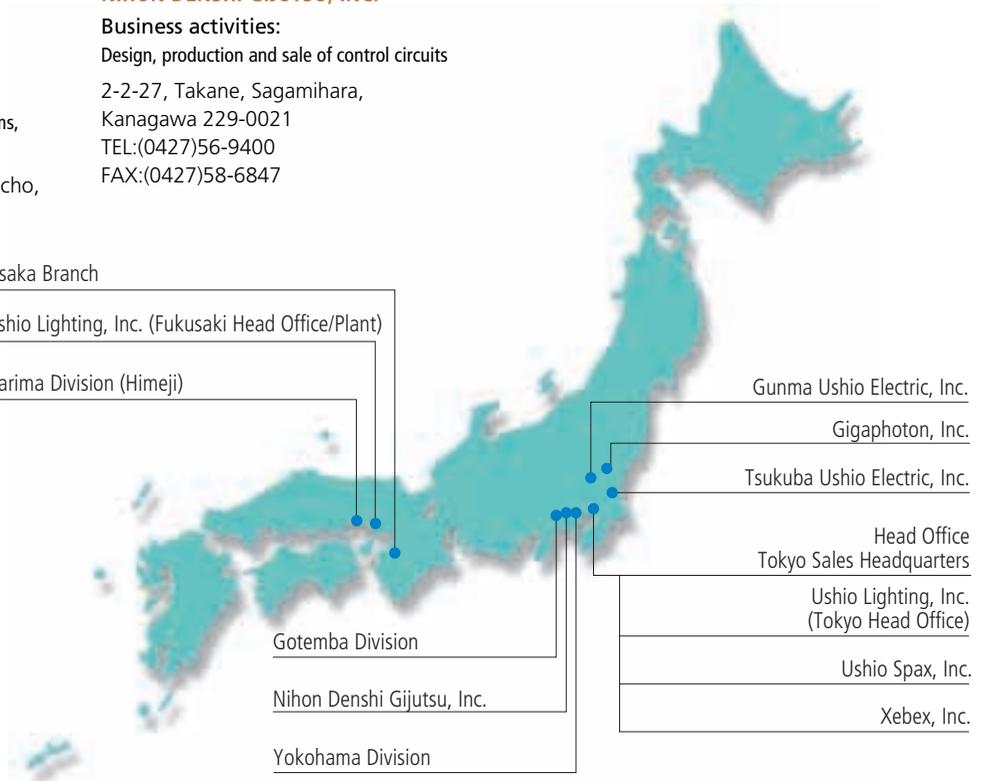
Tsukuba Ushio Electric, Inc.

Head Office
Tokyo Sales Headquarters

Ushio Lighting, Inc.
(Tokyo Head Office)

Ushio Spax, Inc.

Xebex, Inc.



Overseas Network

March 31, 2004

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

OREGON OPERATIONS DIVISION

2050 East Mountainview Drive,
Newberg, OR 97132, U.S.A.
TEL: (503) 538-6515
FAX: (503) 538-8450

IRVINE FACTORY

14 Mason Avenue, Irvine, CA 92618
TEL: (949) 472-1020
FAX: (949) 472-0159

USHIO CANADA, INC.

Business activities:

Sale of halogen lamps, super high-pressure lamps,
xenon short-arc lamps and other products
2730 Brighton Road Oakville, Ontario, L6H
5T4, Canada
TEL.(905)829-3338
FAX.(905)829-5343

CHRISTIE DIGITAL SYSTEMS USA, INC.

Business activities:

Manufacture and sale of movie theater projection
systems and light source-related equipment
10550 Camden Drive,
Cypress, CA 90630, U.S.A.
TEL: (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

JAPAN BRANCH

2nd Floor, Ariake Frontier A Bldg,
3-1-25, Ariake, Koto-ku, Tokyo 135-0063
TEL: (03) 3599-7481
FAX: (03) 3599-7482

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: (0) 20-446-9333 FAX: (0) 20-446-0360

USHIO DEUTSCHLAND GmbH

Business activities:

Sale of halogen lamps, superhigh-pressure mercury
lamps, xenon short-arc lamps, and other products
Münchner Straße 10,
85643 Steinhöring, Germany
TEL: (0) 80-949-054-0
FAX: (0) 80-949-054-190

USHIO U.K., LTD.

Business activities:

Sale of halogen lamps, superhigh-pressure mercury
lamps, xenon short-arc lamps, and other products
Unit 25 & 26, Rabans Close,
Rabans Lane Industrial Estate,
Aylesbury, Bucks HP19 8TR, U.K.
TEL: (0) 1296-339-988
FAX: (0) 1296-339-908

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



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

No. 1 Jalan Kilang #05-01,
Dynasty Industrial Bldg.,
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

10th Floor, Chung-Shiaw Building, 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, South Korea
TEL: (2) 587-1115 FAX: (2) 587-1118

USHIO (Shanghai) CO., LTD.

Sale of halogen lamps, super high-pressure mercury lamps, xenon short-arc lamps, and other products.

14TH Floor, HSBC Tower 101 Yircheng East
Road, Pudong New Area, Shanghai, P.R.C.
TEL.21-6841-1135 FAX.21-6841-1150

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

Europe

BLV LICHT- UND VAKUUMTECHNIK GmbH

Business activities:

Manufacture and sale of halogen lamps, metal-halide lamps, and other products

Münchner Straße 10,
85643 Steinhöring, Germany
TEL: (0) 8094-906-0
FAX: (0) 8094-906-111

Asia

TAIWAN USHIO LIGHTING, INC.

Business activities:

Manufacture of halogen lamps and other products

No.82, Taiho Road, Taiho-Li, Chupei,
Taiwan, R.O.C.
TEL: (35) 51-3207 FAX: (35) 51-4523

USHIO HONG KONG LTD.

Business activities:

Manufacture of halogen lamps and lamp units for OA equipment

Suites 2209-11, 22/F, Tower 6,
The Gateway, 9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong S.A.R.
TEL: 2756-7880 FAX: 2798-9861

YUEN LONG PLANT

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

PAN YU PLANT

Ushio Factory, Kou Shui Heng, Shi Ji Town, Pan
Yu District, Guangzhou City,
Guangdong Province, 511450 P.R.C.
TEL: (20) 3456-9158 FAX: (20) 3456-8626

USHIO PHILIPPINES, INC.

Business activities:

Manufacture of halogen lamps for illumination and OA equipment and other products

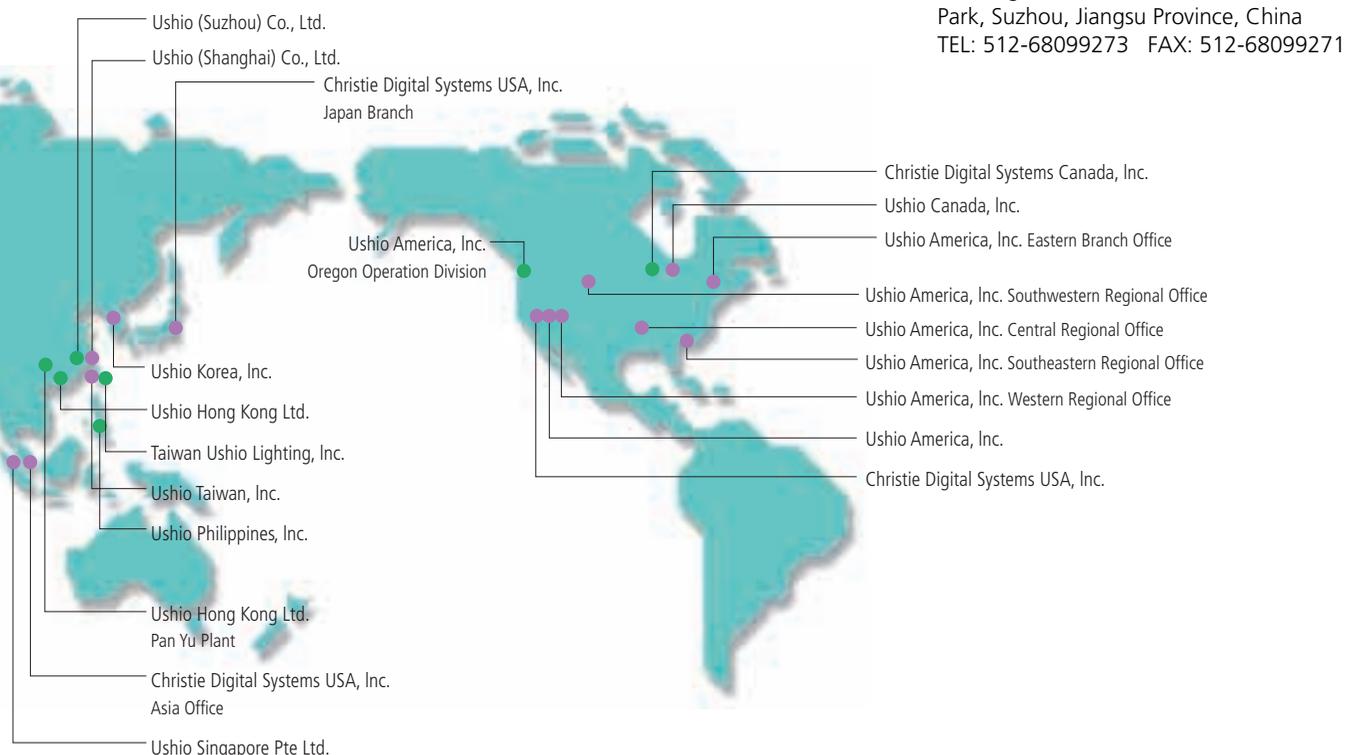
First Cavite Industrial Estate, Barangay
Langkaan, Dasmarinas, Cavite, Philippines
TEL: (046) 402-1422 FAX: (046) 402-1421

USHIO (Suzhou) CO.,LTD.

Business activities:

Manufacture of halogen lamps for OA equipment and lamps for Projectors

Yu Yang Jie, Suzhou New Hi-Tech Industrial
Park, Suzhou, Jiangsu Province, China
TEL: 512-68099273 FAX: 512-68099271



History

March 31, 2004

1916~

1916

November

- Established as Himeji Light Bulb Co.

1930~

1932

December

- Name changed to Japan Light Bulb Co.

1950~

1952

November

- Name changed to Ushio Industry, Ltd.

1960~

1964

March

- Ushio Inc. established with capital of ¥12.5 million

1967

May

- Established sales base in the U.S.A. (USHIO AMERICA, INC.)

1968

September

- Yokohama R&D Division opened

1970~

1970

May

- Listed on the Second Section of the Tokyo Stock Exchange (TSE); capital increased to ¥400 million
- Established Harima Plant (Harima Division)

1971

August

- Moved head office to Asahi Tokai Building in Tokyo's Otemachi business district

1974

April

- Listed on the Second Section of the Osaka Securities Exchange (OSE); capital increased to ¥902 million

1980~

1980

April

- Listed on the first sections of the TSE and OSE; capital increased to ¥1,540 million

1981

April

- Established engineering division with sales functions (USHIO U-TECH, INC.)

1983

June

- Established new halogen lamp manufacturing plant (HYOGO USHIO ELECTRIC, INC.)

1984

September

- Established equipment assembly plant (GUNMA USHIO, INC.)

1985

February

- Established Southeast Asian sales base (Singapore Liaison Office)

April

- Established sales base in Europe (USHIO EUROPE B.V.)

1986

September

- Established equipment assembly base in Hong Kong (USHIO HONG KONG LTD.)

1987

April

- Established lamp production plant in the U.S.A. (USHIO OREGON, INC.)

July

- Established lamp production plant in Taiwan (USHIO TAIWAN, INC.)

September

- Established lamp production plant in Europe (USHIO EUROPE B.V.'s TILBURG PLANT)

1988

September

- Established flash lamp and rare-gas discharge lamp plant in Japan (TSUKUBA USHIO, INC.)

December

- Established sales base in France (USHIO FRANCE S.A.R.L.)
- Established Systems Division II (Gotemba)

1989

September

- Singapore Liaison Office upgraded to subsidiary (USHIO SINGAPORE PTE LTD.)

1990~

1990

July

- Marine division spun off as separate company (USHIO MARINE, INC.)

October

- Acquired BLV LICHT- UND VAKUUMTECHNIK GmbH of Germany

1991

April

- Reestablished Tilburg Plant as subsidiary (USHIO EUROPE (TILBURG) B.V.)

December

- Established lamp production plant in Hong Kong (USHIO HONG KONG LTD., Yuen Long Plant)

1992

April

- Established xenon lamp production and sales base in the U.S.A. (CHRISTIE, INC.)

June

- Established sales base in Germany (USHIO DEUTSCHLAND GmbH)

October

- Established general lighting production company (USHIO LIGHTING, INC.)

1996

February

- Established lamp production plant in the Philippines (USHIO PHILIPPINES, INC.)

March

- Established sales base in the Republic of Korea (USHIO KOREA, INC.)

1997

April

- Established sales base in the U.K. (USHIO U.K., LTD.)

July

- Established comprehensive Group R&D center in Japan (USHIO RESEARCH INSTITUTE OF TECHNOLOGY INC.)

1999

November

- Established CHRISTIE DIGITAL SYSTEMS, INC., after the acquisition of the Visual Equipment Division of ELECTROHOME LTD. of Canada

2000~

2000

April

- Established sales base in Canada (USHIO CANADA, INC.)

August

- Established a joint venture for excimer-laser business with KOMATSU LTD. (GIGAPHOTON, INC.)

2002

November

- Established new lamp production plant in China (USHIO HONG KONG LTD.PAN YU PLANT)

2003

November

- Established sales base in the Republic of China (USHIO SHANGHAI CO., LTD.)

2004

April

- USHIO LIGHTING, INC. and USHIO U-TECH, INC. were merged (USHIO LIGHTING, INC.)
- Established new lamp production plant in China (USHIO SUZHOU CO.,LTD.)

Investor Information

June 29, 2004

Board of Directors

(As of June 27, 2004)

**Chairman and
Ushio Group Representative**
Jiro Ushio

**President and
Chief Executive Officer**
Akihiro Tanaka

**Representative Director and
Corporate Executive Vice President**
Shiro Sugata

**Directors and
Corporate Executive Vice Presidents**
Manabu Goto
Soichi Shide
Tadashi Taki
Seiji Oshima

Director
Shiro Ushio

Corporate Auditors
Takahisa Mimura
Tadashi Shibuichi
Katsunori Kakimi

Statutory Auditors
Shinji Sekiguchi
Shuichi Hattori

Establishment

1964

Paid-in Capital

¥19,556,326,316

Common Stock

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

Number of Shareholders

12,270

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 29, 2004)

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

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Himeji, Hyogo 671-0224
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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

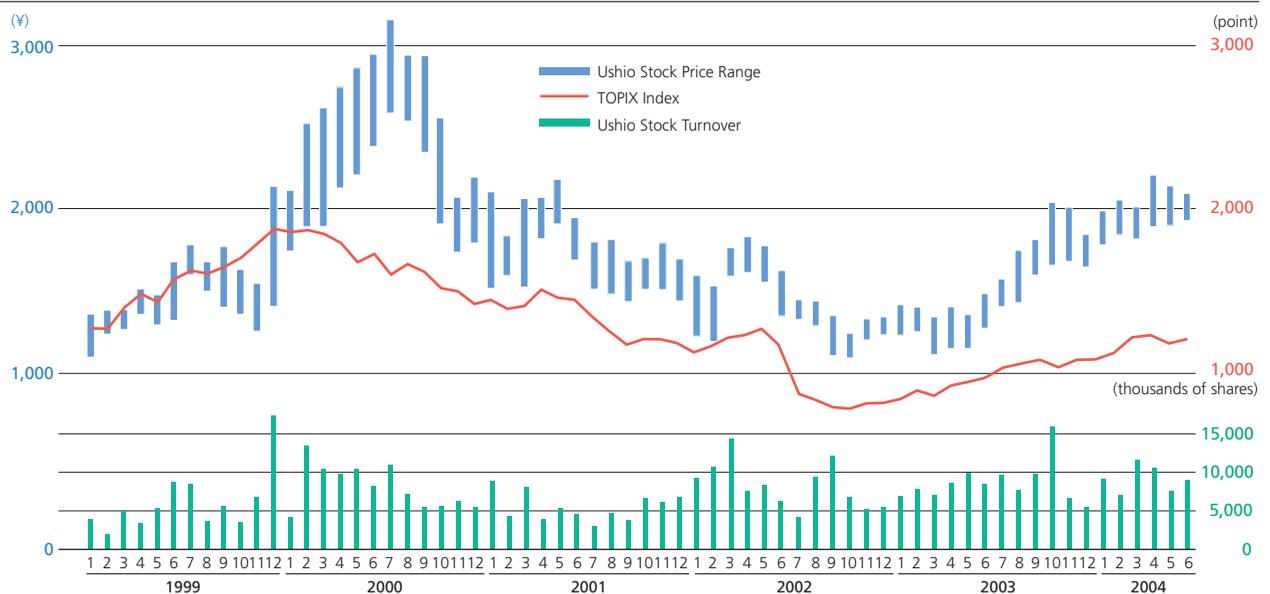
Tokyo Sales Headquarters
Asahi Tokai Building,
6-1, Otemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004
TEL: (03) 3242-5611
FAX: (03) 3242-2700

System 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,
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FAX: +81-3-3242-0695

Stock Data



Lighting-Edge Technologies

USHIO

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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. USHIO the light creation company—more promising than ever. Lighting the Way to the Future : USHIO.



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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.

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