

(Excerpt translation)

## Third Quarter Consolidated Financial Results (September 1, 2006 - May 31, 2007)

July 12, 2007

Company name: USEN CORPORATION  
Listed Exchanges: Nippon New Market "Hercules" of Osaka Securities Exchange  
Code number: 4842  
Head Office: Midtown Tower, 9-7-1, Akasaka, Minato-ku,  
Tokyo 107-6233, Japan  
Website: <http://www.usen.com/company/>  
Representative: Mr. Yasuhide Uno, President and Chief Executive Officer  
Contact: Mr. Katsunari Konya, Managing Director  
Phone: +81-3-6823-7017

### 1. Preparation of the quarterly financial results

- (a) Change in accounting method: None  
(b) Changes in the scope of consolidation and application of the equity method:  
Number of consolidated subsidiaries:  
(Newly consolidated) 2 (Excluded) 10  
Number of companies accounted for by the equity method:  
(Newly adopted) 2 (Excluded) 1  
(d) Engagement of any certified public accountant or audit firm: None

### 2. Third Quarter Consolidated Financial Results for the Period from September 1, 2006 to May 31, 2007

#### (1) Consolidated Operating Results

|                              | Millions of Yen (Yen for per share) |      |         |        | Year Ended<br>August 31<br>2006 |
|------------------------------|-------------------------------------|------|---------|--------|---------------------------------|
|                              | Third Quarter Period Ended May 31   |      |         |        |                                 |
|                              | 2007                                | %    | 2006    | %      |                                 |
| Net Sales                    | 227,992                             | 84.1 | 123,862 | 10.2   | 182,009                         |
| Operating Income             | 10,534                              | -    | 1,053   | (81.7) | 3,530                           |
| Ordinary Income (Loss)       | 6,309                               | -    | (2,153) | -      | (3,640)                         |
| Net Income (Loss)            | 1,883                               | 52.6 | 1,234   | -      | (8,889)                         |
| Net Income (Loss) per Share  | 16.89                               | -    | 16.41   | -      | (115.48)                        |
| Diluted Net Income per Share | -                                   | -    | -       | -      | -                               |

Notes:

- 1) The numbers in the % column for Net Sales, Operating Income, Ordinary Income and Net Income are fluctuation compared with the corresponding period in the prior year.
- 2) Diluted net income per share for the year ended August 31, 2006 is not presented because of the Company's net loss position.
- 3) Diluted net income per share for the third quarter period ending May 31, 2007 and 2006 is not presented because the Company did not have any kind of securities with potential dilutive effect.

#### (2) Changes in the Consolidated Financial Position

|                 | Total Assets    | Equity          | Equity Total<br>Assets Ratio | Equity per Share |
|-----------------|-----------------|-----------------|------------------------------|------------------|
|                 | Millions of Yen | Millions of Yen | %                            | Yen              |
| May 31, 2007    | 344,809         | 108,376         | 25.7                         | 653.01           |
| May 31, 2006    | 306,811         | 32,643          | 10.6                         | 499.36           |
| August 31, 2006 | 376,075         | 72,629          | 13.4                         | 497.09           |

### 3. Consolidated Forecasts for the Year Ending August 31, 2007 (September 1, 2006 - August 31, 2007)

No change from the forecasts reported in the announcement dated October 19, 2006.

## Third Quarter Consolidated Financial Statements

### 1. Third Quarter Consolidated Balance Sheets

|   | Millions of Yen |              |                 |              |                |              |
|---|-----------------|--------------|-----------------|--------------|----------------|--------------|
|   | As of May 31    |              | As of August 31 |              |                |              |
|   | 2007            | 2006         | 2006            | 2006         |                |              |
|   | Amount          | %            | Amount          | %            | Amount         | %            |
| <b>ASSETS:</b>                            |                 |              |                 |              |                |              |
| <b>Current Assets:</b>                    |                 |              |                 |              |                |              |
| Cash and bank deposits                    | 48,569          |              | 38,310          |              | 63,111         |              |
| Trade notes and accounts receivable       | 35,393          |              | 30,574          |              | 41,938         |              |
| Securities                                | -               |              | -               |              | 115            |              |
| Inventories                               | 11,618          |              | 18,254          |              | 15,839         |              |
| Deferred tax assets - current             | 5,225           |              | 5,066           |              | 5,861          |              |
| Other current assets                      | 28,610          |              | 28,847          |              | 27,613         |              |
| Allowance for doubtful accounts           | (2,389)         |              | (1,712)         |              | (2,785)        |              |
| <b>Total Current Assets</b>               | <b>127,028</b>  | <b>36.8</b>  | <b>119,340</b>  | <b>38.9</b>  | <b>151,694</b> | <b>40.3</b>  |
| <b>Fixed Assets:</b>                      |                 |              |                 |              |                |              |
| <b>Property and Equipment:</b>            |                 |              |                 |              |                |              |
| Buildings and structures                  | 40,676          |              | 32,946          |              | 36,775         |              |
| Land                                      | 38,092          |              | 35,971          |              | 39,981         |              |
| Other property and equipment              | 15,430          |              | 18,030          |              | 17,892         |              |
| <b>Total Property and Equipment</b>       | <b>94,198</b>   | <b>27.3</b>  | <b>86,948</b>   | <b>28.3</b>  | <b>94,648</b>  | <b>25.2</b>  |
| <b>Intangible Assets:</b>                 |                 |              |                 |              |                |              |
| Goodwill                                  | 72,100          |              | 32,627          |              | 80,850         |              |
| Other intangible assets                   | 15,065          |              | 11,085          |              | 11,113         |              |
| <b>Total Intangible Assets</b>            | <b>87,166</b>   | <b>25.3</b>  | <b>43,712</b>   | <b>14.3</b>  | <b>91,964</b>  | <b>24.5</b>  |
| <b>Investments and Other Assets:</b>      |                 |              |                 |              |                |              |
| Investment securities                     | 6,134           |              | 31,729          |              | 8,058          |              |
| Deferred tax assets - non-current         | 2,463           |              | 2,774           |              | 6,100          |              |
| Others                                    | 39,035          |              | 31,616          |              | 33,429         |              |
| Allowance for doubtful accounts           | (11,216)        |              | (9,317)         |              | (9,821)        |              |
| <b>Total Investments and Other Assets</b> | <b>36,416</b>   | <b>10.6</b>  | <b>56,803</b>   | <b>18.5</b>  | <b>37,767</b>  | <b>10.0</b>  |
| <b>Total Fixed Assets</b>                 | <b>217,781</b>  | <b>63.2</b>  | <b>187,464</b>  | <b>61.1</b>  | <b>224,380</b> | <b>59.7</b>  |
| <b>Total Deferred Assets</b>              | -               | -            | 6               | 0.0          | -              | -            |
| <b>Total Assets</b>                       | <b>344,809</b>  | <b>100.0</b> | <b>306,811</b>  | <b>100.0</b> | <b>376,075</b> | <b>100.0</b> |

|   | Millions of Yen |             |                |             |                 |             |
|---|-----------------|-------------|----------------|-------------|-----------------|-------------|
|   | As of May 31    |             |                |             | As of August 31 |             |
|   | 2007            |             | 2006           |             | 2006            |             |
|   | Amount          | %           | Amount         | %           | Amount          | %           |
| <b>LIABILITIES:</b>                                   |                 |             |                |             |                 |             |
| <b>Current Liabilities:</b>                           |                 |             |                |             |                 |             |
| Trade notes and accounts payable                      | 15,591          |             | 20,369         |             | 24,485          |             |
| Notes payable for equipment                           | 279             |             | 822            |             | 867             |             |
| Short-term borrowings                                 | 23,365          |             | 43,932         |             | 48,565          |             |
| Current portion of bonds                              | 1,500           |             | 1,500          |             | 1,500           |             |
| Current portion of long-term borrowings               | 27,788          |             | 22,345         |             | 25,290          |             |
| Other payable   | 22,382          |             | 13,969         |             | 18,703          |             |
| Advances received                                     | 10,349          |             | 10,754         |             | 10,278          |             |
| Deposits received                                     | 18,143          |             | -              |             | -               |             |
| Accrued bonuses                                       | 2,919           |             | 2,551          |             | 2,458           |             |
| Allowance for loss on guarantees                      | 8               |             | 2              |             | 72              |             |
| Allowance for dismantling cables and related expenses | 254             |             | -              |             | 2,267           |             |
| Other current liabilities                             | 13,876          |             | 19,597         |             | 19,650          |             |
| <b>Total Current Liabilities</b>                      | <b>136,458</b>  | <b>39.6</b> | <b>135,843</b> | <b>44.3</b> | <b>154,140</b>  | <b>41.0</b> |
| <b>Long-term Liabilities:</b>                         |                 |             |                |             |                 |             |
| Bonds   | 1,754           |             | 28,500         |             | 28,871          |             |
| Long-term borrowings                                  | 81,136          |             | 75,688         |             | 103,254         |             |
| Liability for retirement benefits                     | 6,202           |             | 7,337          |             | 7,615           |             |
| Allowance for dismantling cables and related expenses | 1,684           |             | -              |             | 1,894           |             |
| Other long-term liabilities                           | 9,197           |             | 8,769          |             | 7,670           |             |
| <b>Total Long-term Liabilities</b>                    | <b>99,975</b>   | <b>29.0</b> | <b>120,295</b> | <b>39.2</b> | <b>149,305</b>  | <b>39.7</b> |
| <b>Total Liabilities</b>                              | <b>236,433</b>  | <b>68.6</b> | <b>256,138</b> | <b>83.5</b> | <b>303,446</b>  | <b>80.7</b> |

|  | Millions of Yen |              |                |              |                 |              |
|--|-----------------|--------------|----------------|--------------|-----------------|--------------|
|  | As of May 31    |              |                |              | As of August 31 |              |
|  | 2007            |              | 2006           |              | 2006            |              |
|  | Amount          | %            | Amount         | %            | Amount          | %            |
| <b>Minority Interests</b>                                  | -               | -            | <b>18,029</b>  | <b>5.9</b>   | -               | -            |
| <b>SHAREHOLDERS' EQUITY:</b>                               |                 |              |                |              |                 |              |
| Common stock   | -               | -            | 35,845         | 11.7         | -               | -            |
| Capital surplus  | -               | -            | 22,197         | 7.2          | -               | -            |
| Retained earnings (accumulated deficit)                    | -               | -            | (27,458)       | (9.0)        | -               | -            |
| Unrealized gain (loss) on available-for-sale securities    | -               | -            | 2,035          | 0.7          | -               | -            |
| Foreign currency translation adjustments                   | -               | -            | 25             | 0.0          | -               | -            |
| Treasury stock   | -               | -            | (2)            | (0.0)        | -               | -            |
| <b>Total Shareholders' Equity</b>                          | -               | -            | <b>32,643</b>  | <b>10.6</b>  | -               | -            |
| <b>EQUITY:</b>   |                 |              |                |              |                 |              |
| <b>Shareholders' Equity</b>                                |                 |              |                |              |                 |              |
| Common stock   | 63,406          | 18.4         | -              | -            | 50,906          | 13.5         |
| Capital surplus  | 61,467          | 17.8         | -              | -            | 37,789          | 10.0         |
| Retained earnings (accumulated deficit)                    | (36,276)        | (10.5)       | -              | -            | (38,112)        | (10.1)       |
| Treasury stock   | (149)           | (0.0)        | -              | -            | (2)             | (0.0)        |
| <b>Total Shareholders' Equity</b>                          | <b>88,447</b>   | <b>25.7</b>  | -              | -            | <b>50,580</b>   | <b>13.4</b>  |
| <b>Valuation and Translation</b>                           |                 |              |                |              |                 |              |
| Unrealized gain (loss) on available-for-sale securities    | 1               | 0.0          | -              | -            | (35)            | (0.0)        |
| Deferred gain (loss) on derivatives under hedge accounting | (2)             | (0.0)        | -              | -            | (0)             | (0.0)        |
| Foreign currency translation adjustments                   | 35              | 0.0          | -              | -            | 14              | 0.0          |
| <b>Total Valuation and Translation</b>                     | <b>34</b>       | <b>0.0</b>   | -              | -            | <b>(22)</b>     | <b>(0.0)</b> |
| <b>Stock Acquisition Rights</b>                            | <b>2</b>        | <b>0.0</b>   | -              | -            | -               | -            |
| <b>Minority Interests</b>                                  | <b>19,892</b>   | <b>5.7</b>   | -              | -            | <b>22,070</b>   | <b>5.9</b>   |
| <b>Total Equity</b>  | <b>108,376</b>  | <b>31.4</b>  | -              | -            | <b>72,629</b>   | <b>19.3</b>  |
| <b>Total Liabilities and (Shareholders') Equity</b>        | <b>344,809</b>  | <b>100.0</b> | <b>306,811</b> | <b>100.0</b> | <b>376,075</b>  | <b>100.0</b> |

Note: Presentation of Equity—On December 9, 2005, the Accounting Standard Board of Japan published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. Because the Company adopted the new accounting standard from 2006 year-end disclosure, the financial statements after then have been prepared in accordance with the new presentation manner.

## 2. Third Quarter Consolidated Statements of Operations

|   | Millions of Yen                   |             |                |              |                      |              |
|---|-----------------------------------|-------------|----------------|--------------|----------------------|--------------|
|   | Third Quarter Period ended May 31 |             |                |              | Year Ended August 31 |              |
|   | 2007                              |             | 2006           |              | 2006                 |              |
|   | Amount                            | %           | Amount         | %            | Amount               | %            |
| Net Sales   | 227,992                           | 100.0       | 123,862        | 100.0        | 182,009              | 100.0        |
| Cost of Sales   | 125,714                           | 55.1        | 71,550         | 57.8         | 107,680              | 59.2         |
| <b>Gross Profit</b>   | <b>102,278</b>                    | <b>44.9</b> | <b>52,311</b>  | <b>42.2</b>  | <b>74,329</b>        | <b>40.8</b>  |
| Selling, General and Administrative Expenses                    | 91,743                            | 40.3        | 51,258         | 41.3         | 70,798               | 38.9         |
| <b>Operating Income</b>   | <b>10,534</b>                     | <b>4.6</b>  | <b>1,053</b>   | <b>0.9</b>   | <b>3,530</b>         | <b>1.9</b>   |
| <b>Non-operating Income</b>                                     | <b>1,168</b>                      | <b>0.5</b>  | <b>1,027</b>   | <b>0.8</b>   | <b>1,387</b>         | <b>0.8</b>   |
| <b>Non-operating Expenses</b>                                   | <b>5,393</b>                      | <b>2.4</b>  | <b>4,234</b>   | <b>3.4</b>   | <b>8,559</b>         | <b>4.7</b>   |
| <b>Ordinary Income (Loss)</b>                                   | <b>6,309</b>                      | <b>2.7</b>  | <b>(2,153)</b> | <b>(1.7)</b> | <b>(3,640)</b>       | <b>(2.0)</b> |
| Extraordinary Gains   | 21,805                            | 9.6         | 15,139         | 12.2         | 18,665               | 10.2         |
| Extraordinary Losses  | 14,535                            | 6.4         | 10,524         | 8.5          | 20,392               | 11.2         |
| <b>Income (Loss) before Income Taxes and Minority Interests</b> | <b>13,579</b>                     | <b>5.9</b>  | <b>2,461</b>   | <b>2.0</b>   | <b>(5,368)</b>       | <b>(3.0)</b> |
| <b>Income Taxes</b>   | <b>8,081</b>                      | <b>3.5</b>  | <b>973</b>     | <b>0.8</b>   | <b>2,372</b>         | <b>1.3</b>   |
| -Current  | 3,247                             |             | 262            |              | 463                  |              |
| -Deferred   | 4,834                             |             | 711            |              | 1,908                |              |
| <b>Minority Interests</b>                                       | <b>3,614</b>                      | <b>1.6</b>  | <b>252</b>     | <b>0.2</b>   | <b>1,148</b>         | <b>0.6</b>   |
| <b>Net Income (Loss)</b>  | <b>1,883</b>                      | <b>0.8</b>  | <b>1,234</b>   | <b>1.0</b>   | <b>(8,889)</b>       | <b>(4.9)</b> |

### 3-1. Third Quarter Consolidated Statement of Changes in Equity

Third Quarter period ended May 31, 2007  
(September 1, 2006 – May 31, 2007)

|  | Shareholders' Equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| <b>Beginning balance</b>                             | 50,906               | 37,789          | (38,112)          | (2)            | 50,580                     |
| <b>Changes of items during the period</b>            |                      |                 |                   |                |                            |
| Issuance of common stocks                            | 12,500               | 12,500          |                   |                | 25,000                     |
| Stock exchange                                       |                      | 11,686          | (47)              | (146)          | 11,492                     |
| Dividend   |                      | (508)           |                   |                | (508)                      |
| Net income   |                      |                 | 1,883             |                | 1,883                      |
| Purchase of treasury stocks                          |                      |                 |                   | (0)            | (0)                        |
| Net changes of items other than shareholders' equity |                      |                 |                   |                | -                          |
| <b>Total changes during the period</b>               | 12,500               | 23,677          | 1,836             | (147)          | 37,867                     |
| <b>Ending balance</b>                                | <b>63,406</b>        | <b>61,467</b>   | <b>(36,276)</b>   | <b>(149)</b>   | <b>88,447</b>              |

|  | Valuation and Translation                               |  |   |                                 | Stock Acquisition Rights | Minority Interests | Total Equity   |
|--|---|--|---|---------------------------------|--------------------------|--------------------|----------------|
|  | Unrealized Gain (Loss) on Available-for-sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustment | Total Valuation and Translation |                          |                    |                |
| <b>Beginning balance</b>                             | (35)  | (0)  | 14                                      | (22)                            | -                        | 22,070             | 72,629         |
| <b>Changes of items during the period</b>            |   |  |   |                                 |                          |                    |                |
| Issuance of common stocks                            |   |  |   |                                 | -                        |                    | 25,000         |
| Stock exchange                                       |   |  |   |                                 | -                        |                    | 11,492         |
| Dividend   |   |  |   |                                 | -                        |                    | (508)          |
| Net income   |   |  |   |                                 | -                        |                    | 1,883          |
| Purchase of treasury stocks                          |   |  |   |                                 | -                        |                    | (0)            |
| Net changes of items other than shareholders' equity | 36  | (2)  | 21                                      | 56                              | 2                        | (2,178)            | (2,119)        |
| <b>Total changes during the period</b>               | 36  | (2)  | 21                                      | 56                              | 2                        | (2,178)            | 35,747         |
| <b>Ending balance</b>                                | <b>1</b>  | <b>(2)</b>   | <b>35</b>                               | <b>34</b>                       | <b>2</b>                 | <b>19,892</b>      | <b>108,376</b> |

### 3-2. Consolidated Statement of Changes in Equity

Year ended August 31, 2006

(September 1, 2005 – August 31, 2006)

|   | Shareholders' Equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| <b>Beginning balance</b>  | 35,845               | 27,510          | (33,854)          | (2)            | 29,498                     |
| <b>Changes of items during the period</b>                               |                      |                 |                   |                |                            |
| Changes in scope of associated companies accounted by the equity method |                      |                 | 602               |                | 602                        |
| Issuance of common stocks   | 15,060               | 15,060          |                   |                | 30,121                     |
| Dividend  |                      | (752)           |                   |                | (752)                      |
| Net loss  |                      |                 | (8,889)           |                | (8,889)                    |
| Purchase of treasury stocks   |                      |                 |                   | (0)            | (0)                        |
| Transfer of capital surplus to reduce accumulated deficit               |                      | (4,029)         | 4,029             |                | -                          |
| Net changes of items other than shareholders' equity                    |                      |                 |                   |                | -                          |
| <b>Total changes during the period</b>                                  | 15,060               | 10,278          | (4,257)           | (0)            | 21,081                     |
| <b>Ending balance</b>   | <b>50,906</b>        | <b>37,789</b>   | <b>(38,112)</b>   | <b>(2)</b>     | <b>50,580</b>              |

|   | Valuation and Translation                               |  |   |                                 | Minority Interests | Total Equity  |
|---|---|--|---|---------------------------------|--------------------|---------------|
|   | Unrealized Gain (Loss) on Available-for-sale Securities | Deferred Gain (loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustment | Total Valuation and Translation |                    |               |
| <b>Beginning balance</b>  | 1,358   | -  | (58)                                    | 1,300                           | 10,774             | 41,573        |
| <b>Changes of items during the period</b>                               |   |  |   |                                 |                    |               |
| Changes in scope of associated companies accounted by the equity method |   |  |   | -                               |                    | 602           |
| Issuance of common stocks   |   |  |   | -                               |                    | 30,121        |
| Dividend  |   |  |   | -                               |                    | (752)         |
| Net loss  |   |  |   | -                               |                    | (8,889)       |
| Purchase of treasury stocks   |   |  |   | -                               |                    | (0)           |
| Transfer of capital surplus to reduce accumulated deficit               |   |  |   | -                               |                    | -             |
| Net changes of items other than shareholders' equity                    | (1,394)   | (0)  | 73                                      | (1,322)                         | 11,296             | 9,974         |
| <b>Total changes during the period</b>                                  | (1,394)   | (0)  | 73                                      | (1,322)                         | 11,296             | 31,056        |
| <b>Ending balance</b>   | <b>(35)</b>   | <b>(0)</b>   | <b>14</b>                               | <b>(22)</b>                     | <b>22,070</b>      | <b>72,629</b> |

---

## **Other Information**

All the figures in this report except per share information are rounded down to the nearest million.

This information is summarized and translated from the original Japanese version submitted to the Osaka Securities Exchange in accordance with their disclosure rules and presentation manners, which are different from those applied in the annual reports of the Company due to reclassification and rearrangement made therein. This English translation is intended solely for the convenience of readers outside Japan, and not intended in any way to substitute or replace the original Japanese version. If there is any discrepancy between the original Japanese version and this translation, the original Japanese version supersedes all information in this translation. All the figures in this report are unaudited.