



May 11, 2015

Company Name: USHIO INC.
Name and Title of Representative:
Kenji Hamashima, President and Chief Executive Officer
(Code Number: 6925,
the first section of the Tokyo Stock Exchange)
Name and Title of Contact Person:
Hideaki Takizawa, General Manager,
Accounting & Finance Department
(TEL +81-3-3242-1811(from overseas))

Notice Regarding Introduction of Stock Remuneration Plan for Directors

USHIO INC. (“Company”) hereby announces that, at the Board of Directors meeting held on 11 May, 2015, a resolution was passed to submit a proposal of the introduction of a new stock remuneration plan (“the Plan”) for Company directors (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, “Directors, etc”) at the 52th Annual General Meeting of Shareholders (“Shareholders Meeting”) scheduled for 26 June, 2015.

Description

1. Purpose of introducing the Plan

The purpose of introducing the Plan is to further clarify the linkage between remuneration of Directors, etc, and business performance and share price, and to raise the incentive to contribute to improving the Company’s mid- to long-term business performance and to increasing enterprise value.

2. Plan summary

(1) Plan summary

The Plan is a stock incentive plan for officers, using a trust, with reference to US performance share and restricted share plans. The Company as the entrustor will establish the trust (“Trust”), accompanying the introduction of the Plan, and the Trust acquires Company shares. Delivery and payment (“Delivery, etc”) of the Company shares and the cash equivalent of the conversion value of said shares (“Company Shares, etc”) to Directors, etc will be conducted based on his or her position and the degree of accomplishment of business performance (consolidated operating profit/ROE).

(2) Plan introduction procedure

The Shareholders Meeting shall decide the Upper Limit of Trust Money (defined in (4) below) and Upper Limit of Annual Points (defined in (5) below) for the Relevant Period (Initially, the three business years starting from the business year that ends on 31 March 2016 up to the end of 31 March 2018, if the Trust Period is extended under (6) 2nd paragraph below, each of the following three year. The same applies throughout.), and other necessary matters.

If the Trust Period is extended under (6) 2nd paragraph below, the Company shall make the decision by resolution of the Board of Directors meeting within the scope of approval granted by the Shareholders Meeting.

(3) Plan eligibility (beneficiary requirements)

Directors, etc who have fulfilled the beneficiary requirements, in principle after retiring the director position (or in the case where it has been decided that the Directors, etc are to become overseas residents due to overseas assignment, hereinafter collectively referred to as “Time of Delivery”), are eligible to receive the number of Company shares corresponding to the Cumulative Points (defined in (5) below), after following the prescribed beneficiary defined procedure.

Beneficiary requirements will be as follows:

- ① Shall have been incumbent Directors, etc during the Relevant Period (including persons who newly becomes Directors, etc during this period)
- ② Shall not be Directors, etc due to retiring or overseas assignment (*)
- ③ Shall not have been dismissed as Directors, etc based on a valid reason or have resigned on the recommendation by the Board.
- ④ Cumulative Points (defined in (5) below) shall be determined.
- ⑤ Other requirements deemed necessary to attain the aims of the share remuneration plan

(*) However, when the Trust Period is extended under (6) 4th paragraph below, and the Directors, etc remain in office even after the extended period has ended, the Trust shall terminate and the Delivery, etc of the Company Shares, etc to Directors, etc shall be conducted.

(4) Upper Limit of Trust Money to be contributed to the Trust

The upper limit to money to be contributed by the Company to the Trust (“Upper Limit of Trust Money”) during the Relevant Period shall be 620 million yen(*)

(*) This amount is the total of the trust remuneration/trust expenses and funds for share acquisition by the Trust during the Trust Period.

(5) Delivered Company shares and Upper Limit of Annual Points

Directors, etc will be awarded a set number of points on the last day of May each year in the Trust Period as determined in (6) based on his or her position and the degree of accomplishment of business performance in that business year ending 31 March (namely the previous fiscal year, hereinafter “Target Fiscal Year”). One point equals one Company share. If, during the Trust Period, there is an event, considering which a point adjustment is deemed to be fair, including a stock split or reverse split, adjustment of the ratio shall be conducted corresponding to the split/reverse split ratio.

Awarding of points will be carried out each year in the Trust Period (hereinafter cumulative value of the number of points awarded each year to be referred to as “Cumulative Points”). The points will be calculated by multiplying the base points for each position by a payment factor corresponding to the degree of accomplishment of business performance in the Target Fiscal Year. The Delivery, etc of the

Company Shares, etc to the Directors, etc will be conducted based on the number of Cumulative Points at the Time of Delivery.

The upper limit of total points that Directors, etc may be awarded in one year (“Upper Limit of Annual Points”) is 110,000 points. Thus, the upper limit to the number of Company shares that the Trust will acquire in each Relevant Period (“Upper Limit of Acquired Shares”) is 330,000 shares, the Upper Limit of Annual Points multiplied by three, which is the number of the fiscal years during the Relevant Period.

(6) Trust Period

The Trust Period will be about three years from 4 August 2015 (planned) to the last day of August 2018 (planned).

Continuation of the Trust at the expiration of the Trust Period is possible by revising the trust contract and by implementing an additional trust. In such a case, the contract period of the Trust will be extended by only the same period as the initial Trust Period, and the Company will in each extended Trust Period make additional contribution to the Trust within the Upper Limit of Trust Money, and during the extended Trust Period will continue to award points to Directors, etc.

However, when an additional contribution is made and there are remaining Company shares (excluding Company shares corresponding to points awarded to Directors, etc, and with respect to which the Delivery, etc have not yet been conducted, hereinafter referred to as “Remaining Shares”) and cash (together with the Remaining Shares hereinafter referred to as “Remaining Shares, etc”) as Trust assets on the last day of the Trust Period before being extended, the total value of the Remaining Shares, etc and the additional contribution of trust money shall be under the Upper Limit of Trust Money, and the total of Remaining Shares and the shares acquired additionally by the Trust shall be under the Upper Limit of Acquired Shares.

If, at the end of the Trust Period, there are Directors, etc in office who may possibly fulfill beneficiary requirements, points will not be awarded to the Directors, etc, but the Trust Period may be extended, for a maximum of 10 years, until the Delivery, etc of the Company Shares, etc to said Directors, etc are completed.

(7) Method of acquiring Company shares by the Trust

In regard to the initial acquisition of Company shares by the Trust, it is planned to acquire Company shares, within the Upper Limit of Trust Money or within the Upper Limit of Acquired Shares from the stock market.

Moreover, if there is a possibility the number of shares in the Trust may be insufficient for the number of shares corresponding to the number of points awarded to each of the Directors, etc due to an increase in the number of Directors, etc during the Trust Period, additional money or additional Company shares may be contributed to the Trust within the Upper Limit of Trust Money and the Upper Limit of Acquired Shares.

(8) Time period of Company share delivery to Directors, etc

Directors, etc who fulfill the beneficiary requirements may, upon carrying out prescribed beneficiary defined procedures, receive Company shares from the Trust corresponding to the prescribed ratio of the number of Cumulative Points awarded until the Time of Delivery, and the remaining Company shares will be converted within the Trust to an equivalent cash value, and paid to the Directors, etc.

(9) Voting rights of Company shares in the Trust

In order to maintain neutrality toward management of the Company, the voting rights of the Company shares in the Trust (namely Company shares, with respect to which the Delivery, etc has not been conducted yet under (5)) may not be exercised during the Trust Period.

(10) Treatment of dividend of surplus of Company shares in the Trust

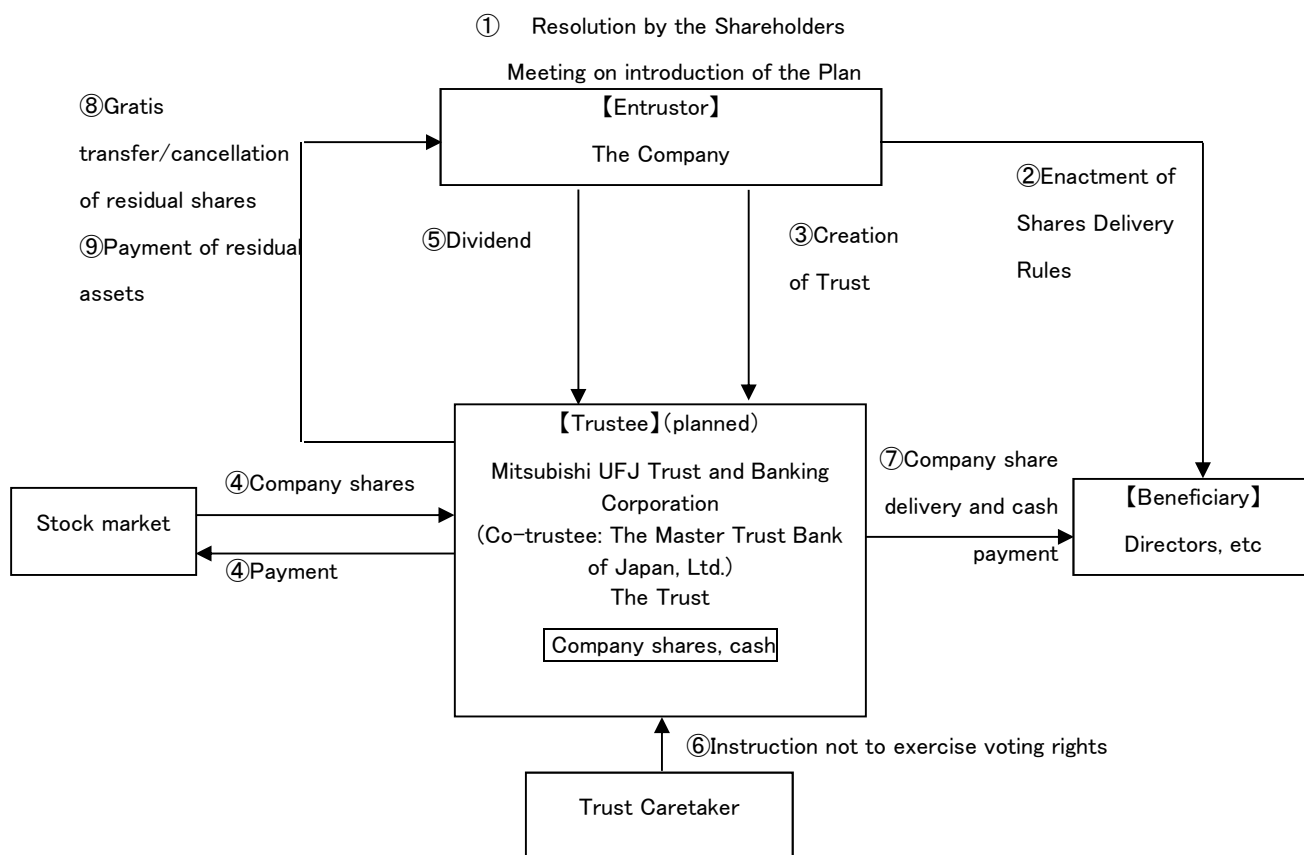
The Trust will receive the dividends of surplus of the Company shares in the Trust to be used for trust remuneration and trust expenses. If, after trust remuneration and expenses have been paid, there is a remainder at the end of the Trust Period, this remainder will be paid to a person amongst the Directors, etc who becomes a beneficiary of the Trust based on the trust contract, and has fulfilled prescribed beneficiary requirements, at the end of the Trust.

(11) Treatment at the end of the Trust

If there are residual shares (excluding shares, with respect to which the Delivery of the Company Shares, etc to Directors, etc that may fulfill beneficiary requirements at the completion of the trust is planned to be conducted) at the end of the trust due to non-attainment of business performance goals in the Target Fiscal Year, it is planned that these residual shares will be transferred to the Company gratis from the Trust upon completion of the trust as a return of earnings to shareholders, and the shares will be cancelled by approval of the Board of Directors meeting.

(12) Plan structure

Plan structure is as follows:



- ① The Company will obtain approval for director remuneration regarding the Plan at the Shareholders Meeting.
- ② The Company will at the Board of Directors, etc meeting enact shares delivery rules concerning director remuneration in regard to the Plan.
- ③ The Company will entrust money within the limit of the Shareholders Meeting approval described in ① and will set up the Trust, beneficiaries of which are Directors, etc who meet the beneficiary requirements.
- ④ The Trust will, in accordance with instructions from the trust caretaker, use the entrusted money (as described in ③) to acquire Company shares from the stock market.
- ⑤ Dividends of Company shares in the Trust will be distributed the same as well as other Company shares.
- ⑥ The voting rights of shares held by the Trust will not be exercised during the Trust Period.
- ⑦ During the Trust Period, certain points will be awarded to Directors, etc based on his or her position and the degree of accomplishment of business performance. Directors, etc who fulfill specific beneficiary requirements will receive Company shares equal to a specific ratio of the points awarded to the Directors, etc, and Company shares equivalent to the remaining points will be converted to an equivalent amount of cash within the Trust in accordance with the trust contract, and paid to the Directors, etc.
- ⑧ It is planned that when at the end of the Trust Period there are residual shares, these shares will be transferred gratis to the Company from the Trust and will be cancelled by approval of the Board of Directors meeting.
- ⑨ It is planned that, upon liquidation of the Trust, residual assets after distribution to beneficiaries will be returned to the Company within the limit trust expense reserve, after subtracting share acquisition funds from the trust money. Any portion over and above the trust expense reserve will be paid to a person amongst the Directors, etc who becomes a beneficiary of the Trust based on the trust contract, and has fulfilled prescribed beneficiary requirements, at the end of the Trust.

(Reference)

Trust contract contents

- ① Trust type: An individually operated designated trust of cash other than cash trust (third party benefit trust)
- ② Trust purpose: Providing incentive to Directors, etc
- ③ Entrustor: the Company
- ④ Trustee (planned): Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- ⑤ Beneficiaries: Directors, etc who meet beneficiary requirements
- ⑥ Trust Caretaker: A third-party specialist without relationship with the Company
- ⑦ Trust contract date: 4 August 2015 (planned)
- ⑧ Initial Trust Period: 4 August 2015 (planned) to last day of August 2018 (planned)
- ⑨ Start of plan: 1 October 2015 (planned) (start of point award from the end of May 2016)
- ⑩ Exercise of voting rights: No exercise of voting rights
- ⑪ Type of acquired shares: Company ordinary shares
- ⑫ Upper Limit of Trust Money: 620 million yen (planned) (including trust remuneration/trust expenses)
- ⑬ Period of acquiring shares: 4 August 2015 (planned) to 31 August 2015 (planned)
- ⑭ Method of acquiring shares: To be acquired from the stock market
- ⑮ Holder of a vested right: The Company
- ⑯ Residual assets: Residual assets that can be received by the Company, which is a holder of a vested right, shall be within the limit of the trust expense reserve calculated by deducting the cost for acquiring the shares from the Trust from trust money.

Trust/share related back office

- ① Trust clerical work: Mitsubishi UFJ Trust and Banking Corporation and the Master Trust Bank of Japan Ltd. are scheduled to perform clerical work related to the trust and to be the trustee of the Trust.
- ② Stock clerical work: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is scheduled to perform clerical Company shares delivery work for the beneficiaries based on a clerical trustor contract.