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USHIO

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Ushio Report 2019

Year ended March 31, 2019



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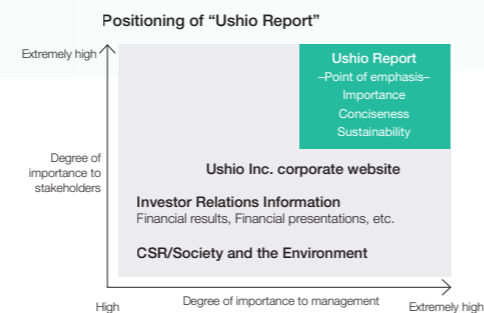
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Editorial Policy

The Ushio Report describes the unique business development model of Ushio that has grown through discovering the functions of light and giving them form. The report concisely summarizes the information needed for understanding the possibilities of improving the long-term and sustainable corporate value of the company. We hope that this report will enable all of our many stakeholders to understand the appeal of Ushio.

In this report, all of the information presented refers to the fiscal year ended March 31, 2019 when no other time period is specifically mentioned. In addition, when the name "Ushio" appears in the report, it refers to the entire Ushio Group, whereas the name "Ushio Inc." refers to the non-consolidated company Ushio Inc.



What is *light*?

Ever since its foundation, Ushio has continued to search for the answer.

Because we know, that *light* has the power to change the future.

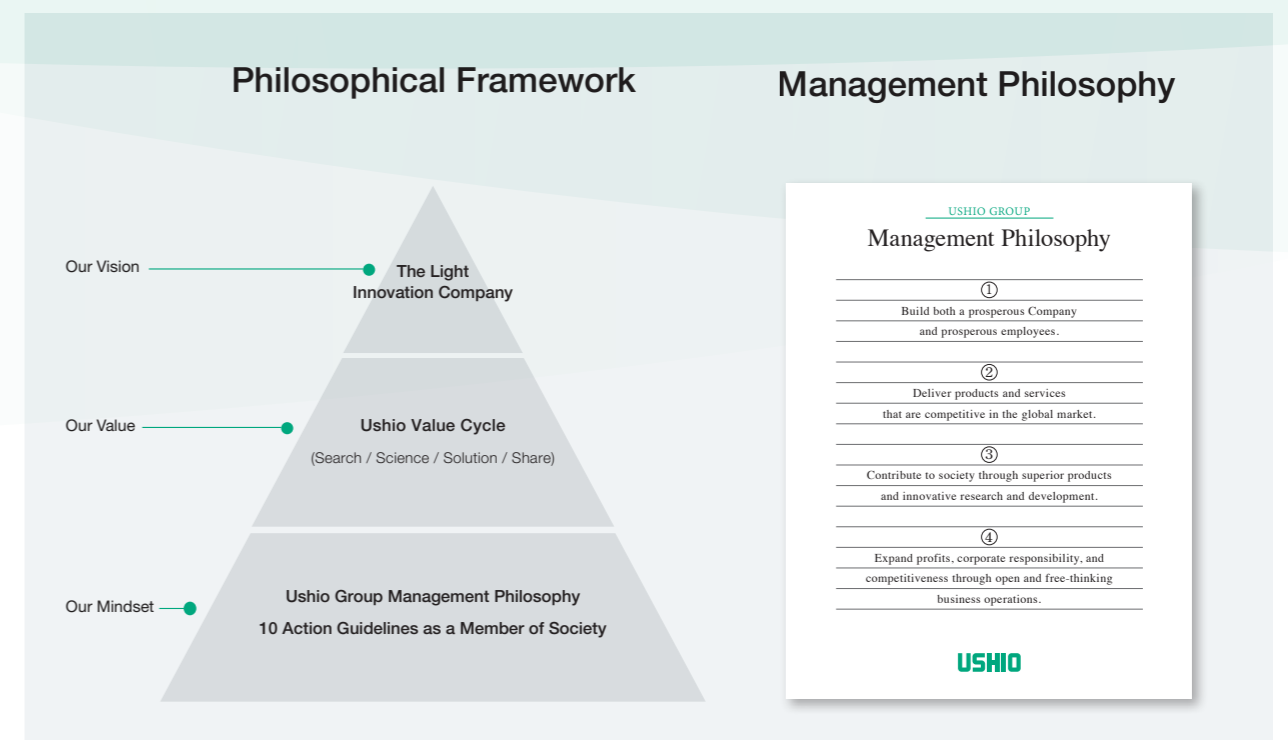
A future where development is sustainable and safe for our planet.

A high-tech future like we've only seen in movies.

A future where lives we couldn't have saved, can be saved.

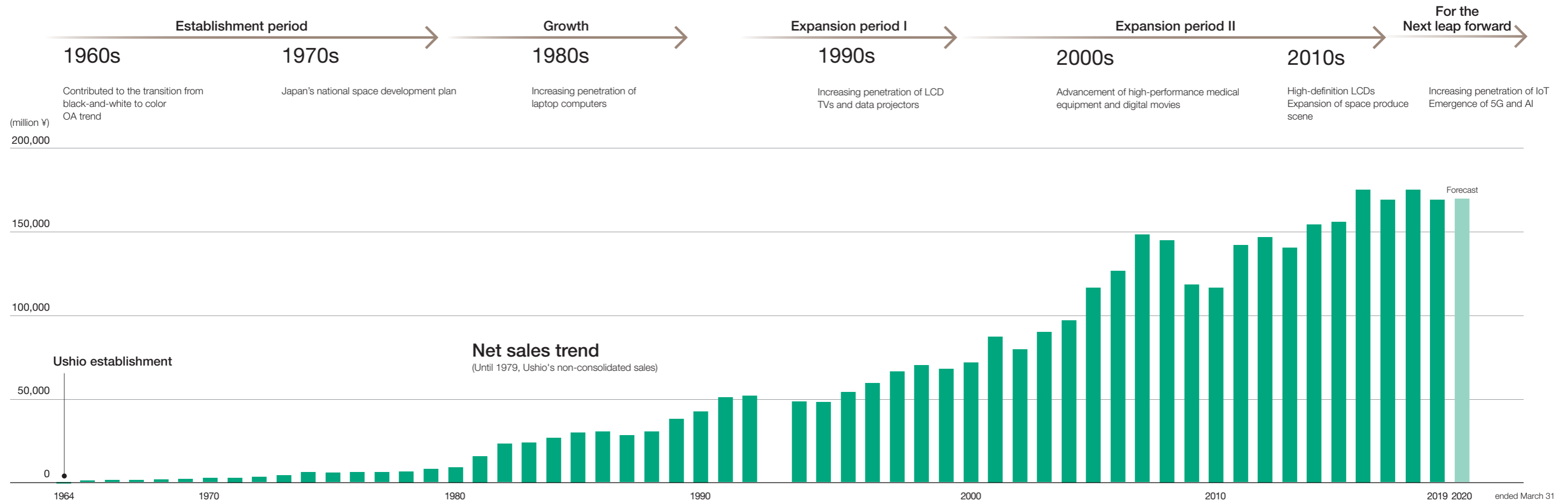
With *light*, the future can go beyond our imagination.

So today, we continue to believe and challenge the endless possibilities of *light*.



Ushio's "Light" to Change the Future

Ushio's growth has been defined by transforming change into opportunities. To play a role in solving social issues and achieving a sustainable future, we will continue to be a "light innovation company" that provides products and services with outstanding quality and one-of-a-kind technologies.



"Light" for illumination — Ushio's light gave movies a new look

In the 1960s, Ushio's xenon lamps, which were known as "small suns," made a full-scale change from black-and-white films to color films. Since then, Ushio has been involved in every transition in the movies from film to digital, 2D, 3D, and 4D, particularly in transitions of light sources and projectors.



Xenon short arc lamp for cinema projector



Digital cinema projector

"Light" for energy — Ushio's light is vital for electronics

Industrial processes, particularly during the evolution from transistors to the IC to the LSI, often require technologies for smaller, thinner and more fine parts. Ushio has been contributing to digitization by providing light sources, systems and services in an integrated manner to overcome the bottleneck of technological innovation using light.



UV lamps for semiconductor lithography



Photo-alignment equipment



Excimer irradiation units for cleaning LCD panels

The need for "light" is continuing to increase

The potential for the use of light in the future is certain to continue to expand, including in medical, biotechnology and other life sciences. As in the past, Ushio will evolve in order to create new value by meeting new demands and expectations involving light.



TheraBeam® UV308 excimer light phototherapy device



RGB laser projector

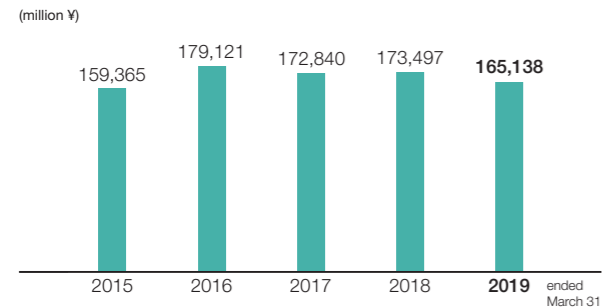


Step & repeat projection lithography tool for high resolution printed circuit boards

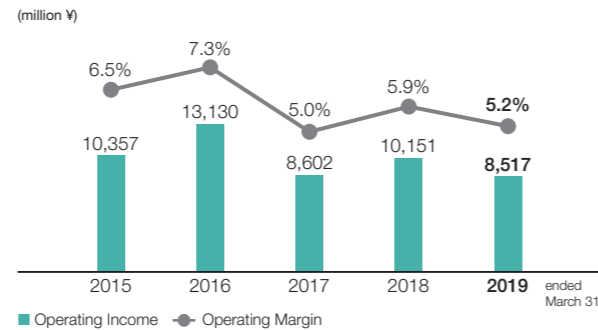
Financial and Non-financial Highlights

Financial Highlights

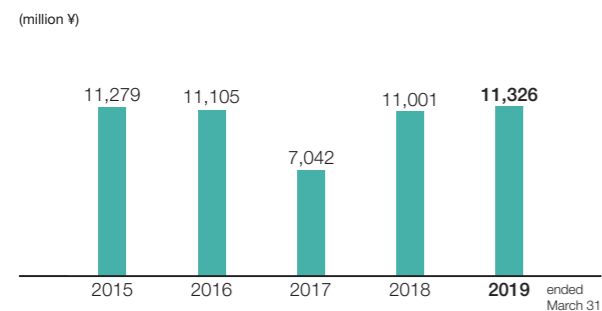
Net Sales



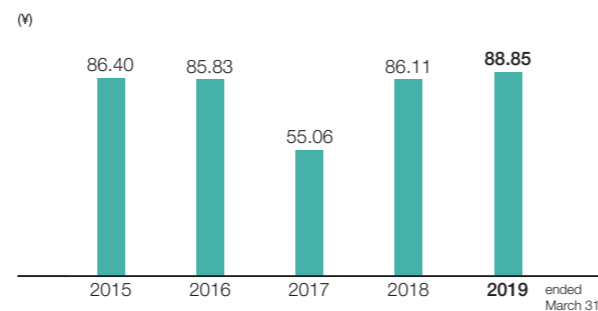
Operating Income / Operating Margin



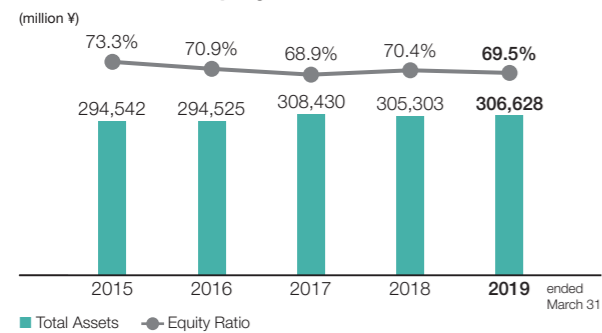
Profit Attributable to Owners of Parent



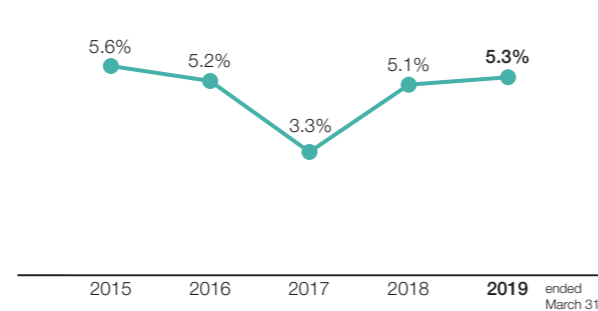
Net Income Per Share



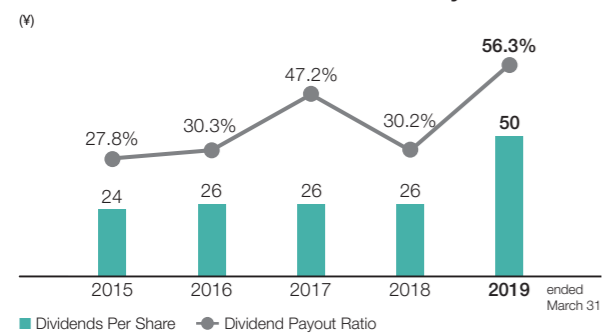
Total Assets / Equity Ratio



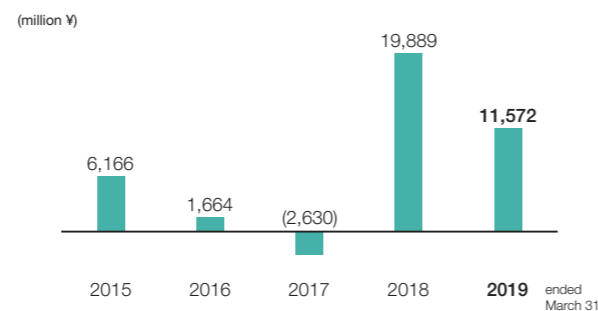
ROE



Dividends Per Share / Dividend Payout Ratio

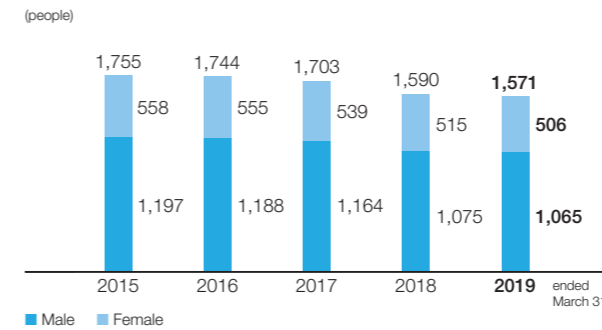


Free Cash Flow

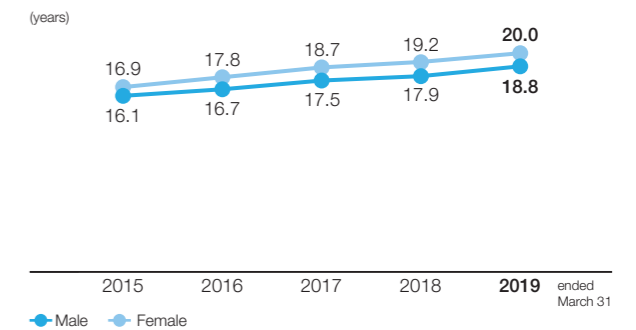


Non-financial Highlights

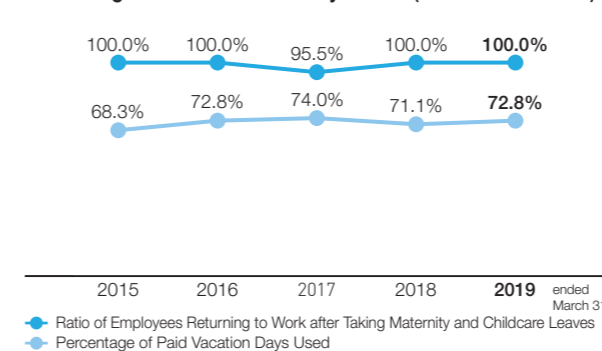
Number of Employees (Non-consolidated)



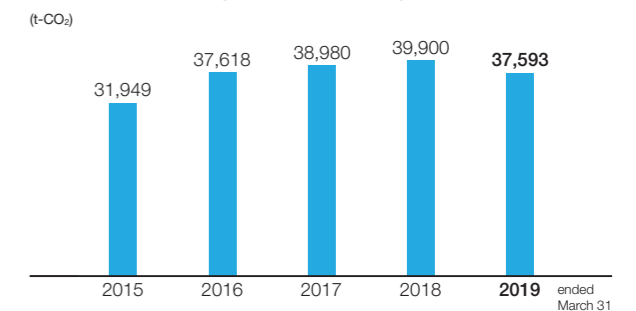
Average Length of Service (Non-consolidated)



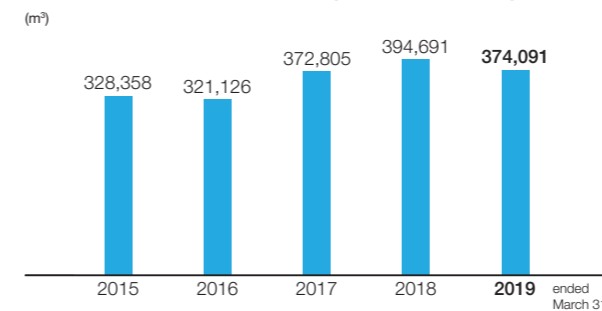
Ratio of Employees Returning to Work after Taking Maternity and Childcare Leaves (Non-consolidated) / Percentage of Paid Vacation Days Used (Non-consolidated)



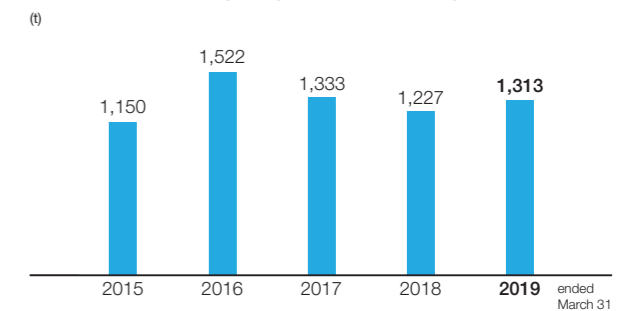
CO₂ Emissions (Consolidated*)



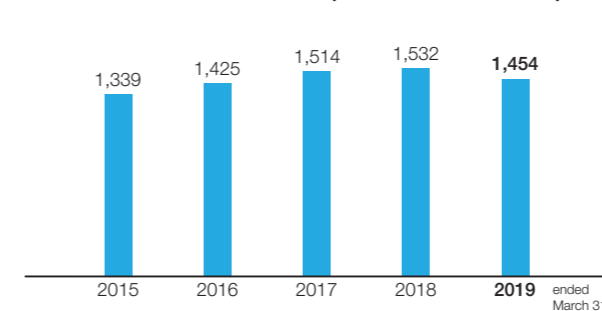
Use of Water Resources (Consolidated*)



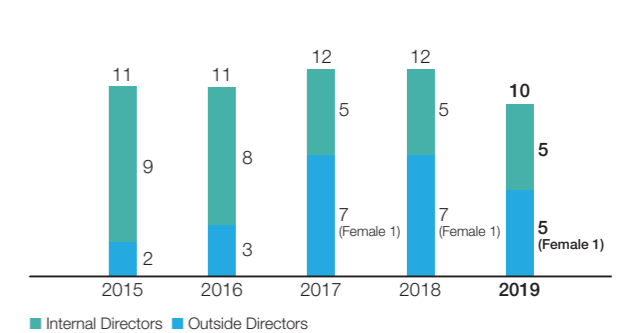
Total Waste Output (Consolidated*)



Number of Patents Held (Non-consolidated)



Number of Directors



(Note) The water resources and total waste output are the consolidated environmental management range established by the Company.

Interview with the President



Birthplace	Tokyo
Biography	
1986	Joined Ushio Inc. International Business Division.
1992	Seconded to Ushio Europe B.V.
1997	Ushio Europe B.V. Vice President.
2000	Returned to Ushio Inc.
2014	Executive Officer Assistant General Manager, Light Source Business Division
2015	Senior Executive Officer General Manager, Light Source Business Division
2016	Managing Executive Officer
2019 April	Chief Executive Officer
2019 June	President and Chief Executive Officer (incumbent)

We are fully dedicated to contributing to societal development as a Light Innovation Company.

Greeting from Ushio's New President

I am Koji Naito, the newly appointed President and CEO.

Ever since its establishment in 1964, Ushio has developed optical technology as a "Light Innovation Company" and explored the phenomenon of light, which can lead to exciting innovations and provide solutions to the challenges faced by our customers and society.

Sharing these technologies and solutions will eventually contribute to the development and growth of society as a whole, which I believe to be one of the important responsibilities to our stakeholders and society that Ushio needs to fulfill.

These values are incorporated in the Ushio Group Management Philosophy, which consists of four principles that serve as the guidelines for everything we do. The most basic and distinctive principle is the achievement of prosperity for both the company and our employees. By stimulating widespread innovation and helping achieve a sustainable society, the prosperity of Ushio also improves the lives of the employees who have made it possible.

Ushio will continue pursuing the countless possibilities of light that have yet to be discovered. As the new president of Ushio, I am determined to achieve sustainable growth and increase our corporate value by providing solutions to social issues, contributing to create a future and culture beyond everyone's imagination, and retaining a firm commitment to corporate social responsibility and diversity.

June 2019

President and Chief Executive Officer

Q1.
What is your view of Ushio's current performance, and what must be done in order for it to continue to grow?

As in the previous fiscal year, our earnings declined because of challenging market conditions. Improving profitability is a priority of our current Medium-Term Management Plan (MTMP), but our ability to generate earnings is still weak. Another problem is the lack of drivers of future growth. This is why we must establish a structure for our business operations that is highly resilient to change, along with a framework that can continue to perform well even in a difficult business environment.

To accomplish this, we will clearly define our path to growth as well as our business priorities. We will also determine the actions and measures needed to achieve our goals. I believe that this process will allow us to make our core businesses more profitable and increase the speed of launching and expanding new businesses.

In our core businesses, Ushio Group is using "One Goal, One Strategy" management worldwide, which makes it possible to respond quickly and efficiently to changes in the business climate. We now need to take a step forward by applying this scheme to create a strong link among all business domains and group companies. Accomplishing this will improve the efficiency and speed of our business operations and maximize group-wide earnings.

In our new businesses, we will channel our resources into activities that are on the verge of a growth phase to achieve steady growth. Two examples are extreme ultraviolet (EUV) light sources for photomask inspections and solid-state light sources. In addition, we are seeking more opportunities to create growth drivers in business fields that are the best match with Ushio's strengths.

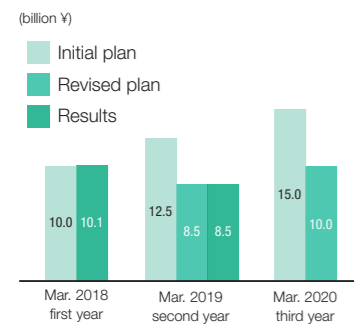
As the president, I must provide a clear explanation of exactly what types of progress we want to accomplish with innovations involving light. I believe that one of the most important duties for me is to explain the strategic objectives of Ushio to our shareholders, employees and all other stakeholders.

Q2.
The current Medium-Term Management Plan "Fundamentals for the Next Leap Forward" has entered the final year. Please tell us your aspirations for this plan.

Unfortunately, sales and earnings decreased in the second year of this plan. As a result, we had to lower the final year operating income target from 15 billion yen to 10 billion yen.

In the plan's final year, our first priority is to achieve operating income of 10 billion yen, which is 17.4% higher than in the past year. We will reinforce our efforts throughout our operations, such as by repositioning existing businesses as core businesses and restoring their strength. Second, we will formulate a growth strategy for the new MTMP that is scheduled to be announced in May 2020. Based on these two measures, the management team and employees will work together, with me taking the lead, to overcome the existing issues and achieve these goals.

The current Medium-Term Management Plan (Operating income)



Q3.
What is your vision for Ushio in the near future?

My own concept for the future is that we will continue to grow in a sustainable manner by solving social issues with light. Ushio's light has contributed to industrial and social advances over the years. One way is by providing functions such as "imaging" and "lightening" in the visual imaging domain. Our light also performs key functions such as "patterning", "curing & bonding", and "cleaning" for industrial processes, such as those required to create semiconductors and flat panel displays. As a Light Innovation Company, we will continue to play a part in solving social issues as well as creating a future and culture that are better than anyone can imagine today.

Q4.
What is your message to Ushio's stakeholders?

I want to make Ushio a company that is easier for stakeholders to understand than it has been in the past. For this reason, we intend to provide more specific, thorough information and maintain two-way interactive communications with all stakeholders.

Stakeholders want answers to questions such as why Ushio is engaged in a particular activity or what areas we plan to strengthen as part of our business strategy. We will also take actions aimed at providing information priority issues and methodologies for multifaceted management issues such as our human resources and CSR strategies to investors and other stakeholders in a format that is easy to understand.

The most important point is to do more than simply supplying information. We will maintain dialogues with stakeholders to listen to their opinions, suggestions and other input.

Special Feature – Roundtable Discussion with Outside Directors

Ushio is currently pursuing structural reforms for further growth. We asked six outside directors with a wealth of knowledge and experience in business about what the challenges for Ushio may be and what should be done to achieve further growth.



Profile

(From the left in the front row)

Yoshinari Hara

Outside Director
Honorary Advisor, Daiwa Securities Group Inc.
Vice Chairman, Japan Association of Corporate Directors

Sakie T. Fukushima

Outside Director
President & Representative Director, G&S Global Advisors Inc
Outside Director, J. Front Retailing Co., Ltd.
Outside Director, KONICA MINOLTA, INC.

(From the left in the back row)

Toyonari Sasaki

Outside Director
Vice Chairperson, the Life Insurance Association of Japan

Nobuyoshi Yamaguchi

Outside Director (an Audit & Supervisory Committee Member)
Outside Director, NAKABAYASHI CO., LTD.
Outside Director, S-K-I. CORPORATION (currently Sakai Holdings Co., Ltd.)

Yasufumi Kanemaru

Outside Director
Chairman, President and Group Chief Executive Officer, Future Corporation
Chairman, Future Architect, Inc.
Representative Director, Nippon Institute for Research Advancement

Masanori Yoneda

Outside Director (an Audit & Supervisory Committee Member)

What are Ushio's strengths? How should we make the best use of them?

Hara

I believe that the Ushio's key strength is the high level of clarity of its corporate management. For example, the person responsible for each business unit submits reports to the Board of Directors that include numbers, performance and problems. The thorough disclosure of information makes it easy for everyone to understand the status of each business.

Other strengths include Ushio's strong commitment to CSR, which started many years ago, and the group's diverse and skilled workforce. I think that Ushio needs to take even more actions to fully utilize the knowledge and potential of these people.

persevere no matter what, and work with a sense of responsibility by thinking, "This is what I would do if I were president." It is also important for all young employees to be given overseas assignments and to acquire experience working with people covering a broad range of mindsets. I also think that Ushio should pass on the spirit of contributing to the advancement of society, which has been a source of strength since its establishment, and foster a workforce that is energetic and ambitious.

Kanemaru

One business strategy is to be a big fish in a small pond. Even if the market size is not that large, by establishing a dominant market share, a company can achieve positions in market sectors that create very high barriers to new competitors. Another approach is the so-called blue ocean strategy, in which a company targets a new and uncontested business domain and clarifies strategies in each business field, resulting in more efficient business operations. In addition, growing in mature markets will require Ushio's light expertise to be combined with other know-how. I believe that M&A deals with other companies in the small pond may be another good business strategy for Ushio.

The key to success is corporate governance. To acquire growth opportunities with a broader approach, it is necessary to create an M&A governance team that is not unduly afraid of significant risk exposure. Ushio has a warm and friendly corporate culture; at times, it needs to be a tough business professional that is capable of supervising newly acquired companies to achieve results.

I also think that it is important to make use of Ushio's light expertise to contribute to the major changes in the end-user market, such as watching movies and playing games on tiny smartphone displays. In the future, everything will be connected via 5G technology. However, we cannot provide added value unless we are part of this connection process. This is why Ushio must also consider allocating resources to software.

Sasaki

Ushio has several strengths. It has a clear concept that light is the nucleus of business operations, a wide range of products with large market shares, and expansive business operations outside Japan. Ushio also has a powerful brand and a sound balance sheet. The key point is how to make effective use of the outstanding workforce that others have mentioned to accomplish the goals stated in the long-term plans.



Yoshinari Hara

Yoneda

I agree that Ushio's strength is the depth of its human resources, as all employees have outstanding skills. However, I think it needs to work even harder on problem-solving skills and actions for accomplishing goals. Management needs to exercise strong leadership to make these improvements.

Yamaguchi

Yes, I agree. This may be due to the company's large market share. From now on, Ushio must focus on meeting the needs of its markets and customers, strengthening its sales capabilities, and adopting a new mindset.

Fukushima

I think that there are many highly skilled employees who have a positive, forward-thinking attitude. In the future, Ushio will need people who are robust in a positive sense to achieve results by utilizing our globally diverse human capital. Accordingly, it is important to stick to the results,

What challenges must be overcome for Ushio to continue to grow?

Hara

Ushio must improve its operating margin to continue growing. A high operating margin provides resilience and the ability to endure in the event of difficulties. Ushio is also a great company in terms of its brand power, the quality of its employees and its financial position. However, the management and employees appear to be satisfied with the status quo and thus somewhat complacent. Although Ushio is very stable, the problem is that it cannot achieve strong earnings. I think that solving this problem may require bold decisions to be made about investments.

Kanemaru

Sustained growth always requires the foresight to respond rapidly to market changes, and I think this is Ushio's main challenge. Ushio has business activities in numerous market categories. At this stage, it is necessary to combine Ushio's highly specialized products, which is a core strength, with software to take the next big step forward.

On the other hand, although Ushio implements a range of measures including R&D activities, the results do not seem to be exceeding the expectations of stakeholders in numerical terms. Ushio must create a new definition of light and restructure the company and the organization in such a way that is not merely an extension of the current business operations.

Fukushima

I also think that the operating margin is one of our challenges. Because of the high expectations for Ushio, I feel that the level of shareholders' and investors' satisfaction with our current performance is not high. While Ushio has superior technologies and a large market share, the strengths of its products and business model have become increasingly difficult to see. With the new industrial revolution having advanced to this point, notably in the fields of AI and IoT, there is a need for discussions about how to make best use of advanced technologies and establish strategies in this turbulent environment that will lead to sustainable growth.

Yoneda

In addition, I believe that actions for launching new businesses are an issue. The emergence of a new business



Sakie T. Fukushima

that could contribute to growth, even in the rapidly changing business climate, would give Ushio's external stakeholders as well as its employees more confidence about the company's future.

Sasaki

I talked about Ushio's strengths earlier, but I think that these are also challenges. Ushio has a clear business concept for new business but must move faster. I think that the company needs to find a solution within about three years. For products with a large market share, there is a risk associated with shifting needs caused by technological progress. Ushio should seek opportunities in peripheral markets while closely monitoring risk exposure. In addition, it is very difficult to control overseas operations. Many companies are said to not fully utilize free trade agreements. Tariffs on raw materials and finished products have a significant impact on the bottom line. Accordingly, overseas operations demand the supervision of business activities as well as the monitoring of international taxation and other matters.



Toyonari Sasaki

Yamaguchi

Ushio has highly advanced light technologies, and now is the time to re-examine the status of these technologies, identify issues, and become confident in its technologies. If all the departments in the company collaborate with each other and take on new challenges, Ushio will be able to determine its future direction. I want the young employees to be willing to take on challenges, translate ideas into actions and have a strong desire to win.

In addition, in Ushio's case, although the auditing firm is performing rigorous audits overseas, Ushio's head office should be more involved in the internal control of overseas subsidiaries, both in financial matters and business operations. I think it is necessary to examine carefully whether the head office's ideas and management strategies are fully and properly understood by the overseas subsidiaries.

How will you demonstrate your abilities as an outside director?

Fukushima

I have served as an Audit Committee member at a company with a nominating committee, etc. When a committee is composed entirely of outside directors, including the chairperson, there must be a system for collecting internal information. A company with an audit and supervisory committee governance system is positioned between a company with a nominating committee, etc. and a company with a corporate auditor system. What are the activities of the audit and supervisory committee members?

Yoneda

I also have experience as a director. I know that I need to take the initiative to collect information on my own to make the right decisions for performing my duties. Gathering this information requires the effective functioning of the internal audit department.

Upgrading the internal audit system will result in strict compliance with corporate ethics guidelines. I want to make the audit system even more effective by strengthening the operations of the internal audit department and information collection activities.



Masanori Yoneda

Yamaguchi

Audit and Supervisory Committee members hold meetings with almost 30 executives every year over a period of about one and a half months to verify that work is undertaken in an appropriate and suitable manner. As a result of this process, Ushio is an outstanding company in terms of ensuring strict compliance with corporate ethics guidelines.

Hara

Ushio will need to take more actions regarding the effectiveness of its governance. Already, half of the directors are outside directors. Nevertheless, interest in ESG investments is growing in the investment community, and expectations among shareholders involving ESG are also climbing. Consequently, people want to see results, and the weight of the responsibility on the outside directors to achieve results is heavy. This also means that the Board of Directors must be more effective. The outside directors must fulfill their obligation to check the activities of

management, ask questions, and raise issues.

Moreover, I am very interested in the stock price because of my background in the securities industry. Starting in the fiscal year ended in March 2019, securities reports in Japan must disclose total shareholders return (TSR). Since a company's management will not receive a positive evaluation if the stock price has not gone up, managers need to be aware of what must be done to raise the stock price. The basis for achieving this goal is an increased awareness of the investment costs, a commitment to improving the operating margin, and the productive use of human resources. If earnings do not increase, the stock price will probably not move up.

Accordingly, a company must be managed in a manner that takes the stock price into consideration.

Sasaki

I have experience working in many positions for the Japanese government, including the Ministry of Finance and the Cabinet Secretariat. I was constantly thinking about how to operate organizations and set goals, especially when I was at the Cabinet Secretariat. I wanted to execute important policies that encompassed many ministries and agencies, which are organizationally divided vertically, create an organization that motivated everyone to accomplish a goal, and attract people with the right skills.

I was in charge of coordinating activities involving the Trans-Pacific Partnership (TPP) at ministries in Japan. This job required a large number of negotiations, but in the end, I accomplished my objectives. I will make use of this experience to help me with the organizational and operational aspects of Ushio so that the company can continue to grow and accomplish its goals. Moreover, I also want to use my knowledge of public finance, commercial finance, TPP overseas trade negotiations and international taxation.

Yoneda

Due to my experience at an insurance company, I can help Ushio because I have a commitment to, and an obsession with, achieving performance targets. I spent many years in an environment where achieving performance targets was taken for granted, so the feeling of accomplishment and satisfaction I experienced is my key asset. Furthermore, I hope that I will be able to put that experience to good use in the training program for Ushio employees.

Yamaguchi

Judging from my experience, I think that a company's performance depends on its ability to utilize its people, so people are the foundation for its management. I give Ushio high marks for its measures to strengthen human resources, including education for younger employees. These programs also include classes for managers and a young executive system. I would like Ushio to continue upgrading this training infrastructure with measures such as sending many younger employees on overseas assignments.

Giving tasks to young people to make them more competitive improves their capabilities. Promoting talented people regardless of gender and nurturing young people by exposing them to many experiences and competitive principles is another good idea. I would like to continue monitoring progress with the use of these ideas.



Nobuyoshi Yamaguchi

Fukushima

I worked for 20 years at a global consulting company: 12 years as a director at the U.S. headquarters and 10 years as an outside director at a Japanese company. I believe that this experience will enable me to assist Ushio with human capital and governance. Japanese companies have an urgent need to develop global human capital and increase the ability to embrace and benefit from diversity. For growth, companies must become more diverse with regard to people as well as organizational structures and other aspects of operations. They need to make effective use of people with a global perspective who use their experience from overseas postings to undertake “sturdy management” in Japan.

I believe that the effective use of human capital will lead the company to acquire an ability to utilize change as an engine of growth rather than merely reacting passively to the rapid changes taking place worldwide. Furthermore, a succession plan that nurtures the next generation of managers in each position is also necessary for sustained growth. I believe that I can assist Ushio with its human capital programs.

In general, the progress of gender diversity is slow in technology companies, including Ushio. However, characteristics such as gender and nationality are only part of what defines an individual, not the whole person. Through my work in human capital, and from the experience I have gained by working with many types of people, including LGBT people, in various countries, I have learned that excellent people are excellent regardless of their personal traits. In addition, I think that it is essential to offer a temporary support program for women with the goal of filling about 30% of management positions with women. Once this goal is reached, the program can end in order to return to a standard promotion system. I believe that the ratio of female managers will increase if companies develop and appoint the most suitable human capital without any bias. From a governance standpoint, I would like to continue to thoroughly

discuss the next Medium-Term Management Plan (MTMP) and supervise its implementation to clearly define the Ushio Group’s growth strategy.

Kanemaru

Every company needs a system for determining strategies and then translating them into actions. As an outside director, I will help Ushio achieve its goals by assisting with the redesign of management strategies by making use of my experience in the field of IT consulting in areas such as logistics, finance and manufacturing.

In addition, when I launched a business, Chairman Ushio told me that the mission of an entrepreneur is to create jobs, which has enormous implications for society. This is what made me decide to start my own company. Accordingly, from my standpoint as the founder of a business, I think that it is my role to be very critical at times as necessary.

Ushio is a company that has been clearly positioned since its inception as an organization with a desire to take on new challenges. I would like this spirit to remain part of Ushio’s culture. Even if the company fails after taking on challenges, it has the financial strength to withstand them. I want Ushio to aim for even greater accomplishments by prudently taking on more risk.

More risk might briefly lower the operating profit margin. However, shareholders and other investors will be happy from a long-term perspective if this temporary downturn in profitability produces an operating margin that is even higher than it was before after a few years.

Ushio will soon begin working on the next MTMP. I have high expectations for this plan, but I will be critical of proposals for the plan if I believe that changes are needed. I want to create a plan that I can fully support because, once the new strategies are determined, I expect to make a major contribution to Ushio by explaining the plan to stakeholders from the standpoint of an outside director.



Yasufumi Kanemaru



Visual Imaging



Industrial Process



Life Science

Businesses to Create Value

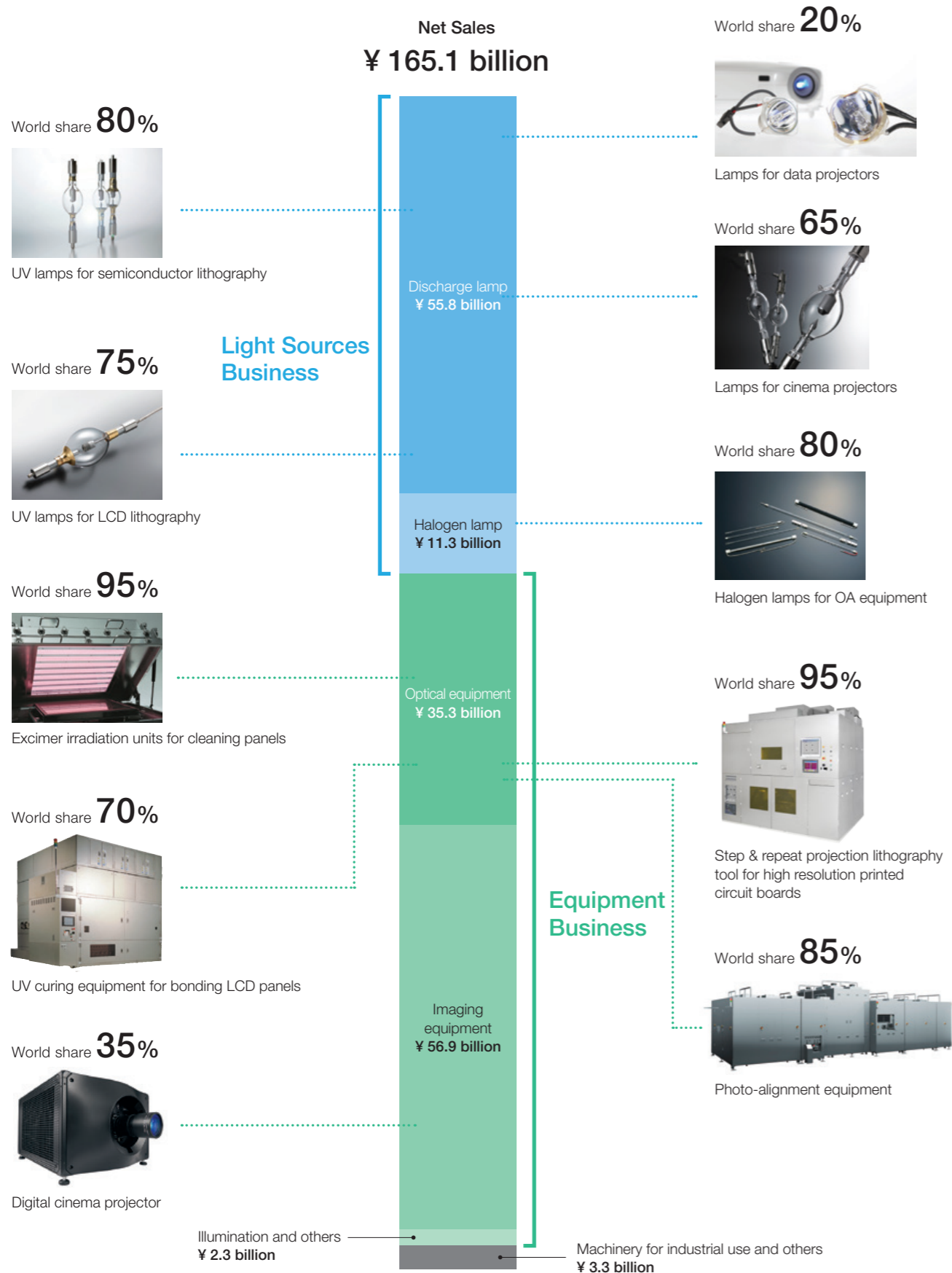
Ushio has achieved business growth all over the world by accumulating technology as a light professional and solving problems for its customers and for society. We will continue to grow by strengthening our fundamental business, pursuing further possibilities of light, and continuing to innovate to solve social issues.

Main Business by Segment

Light Sources Business	Discharge lamp / Halogen lamp
Equipment Business	Imaging equipment / Optical equipment
Others	Machinery for industrial use etc.

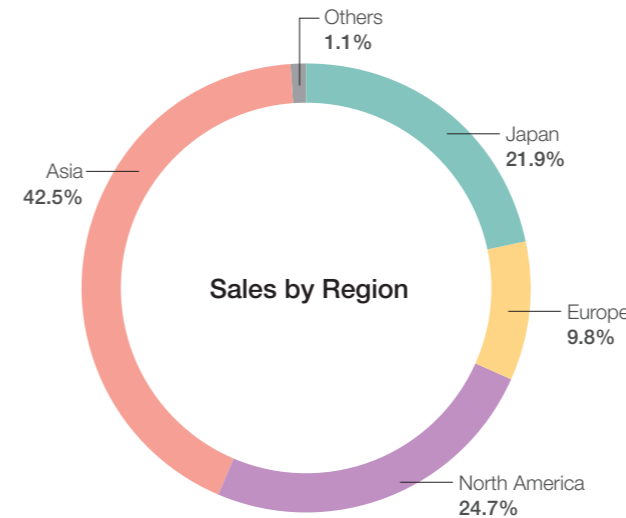
Main Products by Segment

Ushio extends the use of light technology beyond the realm of illumination to use as energy for applications in industry and cutting-edge science, thereby contributing to the birth of many products that have become No.1 in the world market.

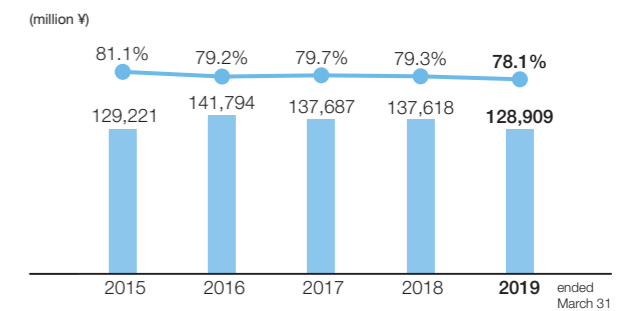


Global Expansion

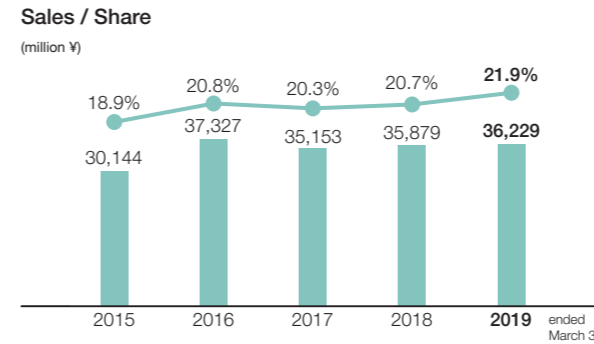
Providing just the light required as it becomes necessary to each country and region. Because we're Ushio, we have light we can deliver.



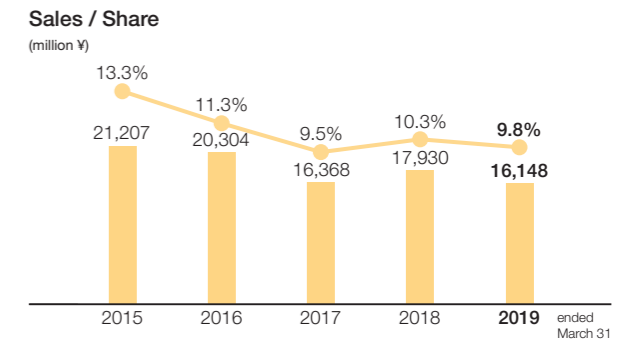
Overseas Sales / Share



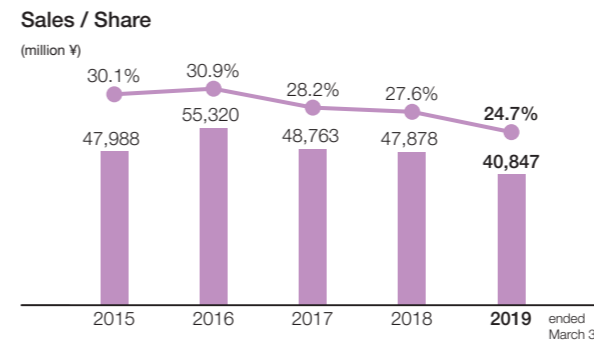
Japan Sales / Share



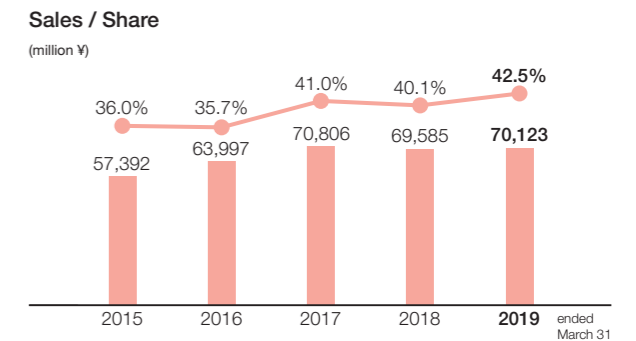
Europe Sales / Share



North America Sales / Share

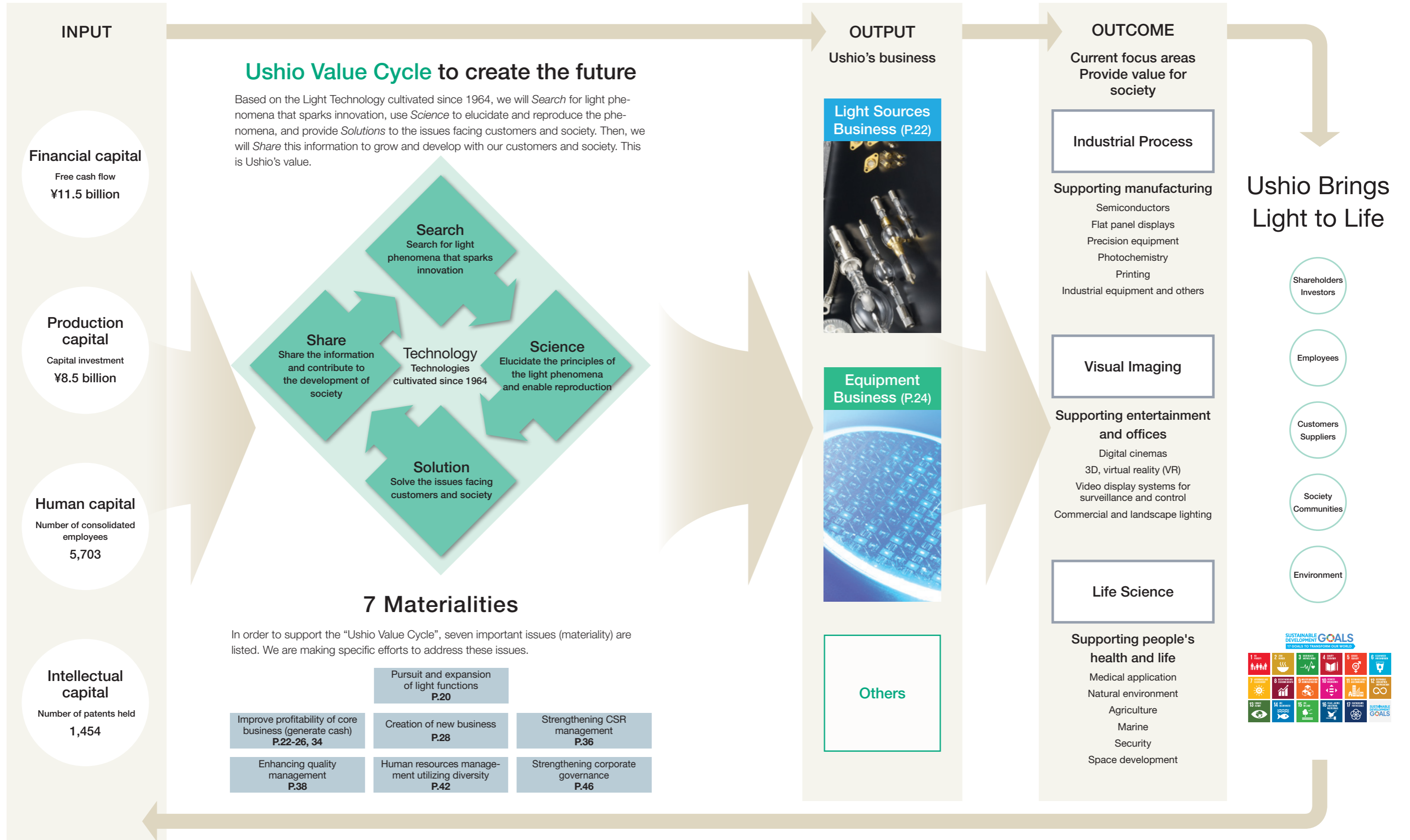


Asia Sales / Share



Value Creation Model

Ushio is working to expand the functions and applications of light, including ultraviolet rays, visible light, infrared rays, and surrounding wavelength regions. By continuing to innovate in light, Ushio aims to contribute to solving social issues, development and growth.



Research and Development

We will continue to study the infinite possibilities of light from many different perspectives and develop things that will benefit society.



Hiroki Kodaka
General Manager, Corporate R&D Division,
Ushio Inc

Q: What are your thoughts on the functions and potential of light?
A: Altering the wavelength gives light a different appearance and effect, even when the same object is illuminated. The wavelength range spans more than 10 orders of magnitude. The range of applications is almost infinite if we include all the combinations of wavelengths, materials and even phase and polarization. This is what makes it possible to undertake the non-invasive viewing of the interior of an object or the observation of only a specific object. Of course, light can also be used as a means for supplying energy. Light is the basis of all physical phenomena and has potential beyond anything we can imagine. Accordingly, when the possibility of light disappears, we think that the possibility of everything else in the world disappears with it.

Q: What is your basic policy for R&D activities?
A: We place emphasis on the following four points:

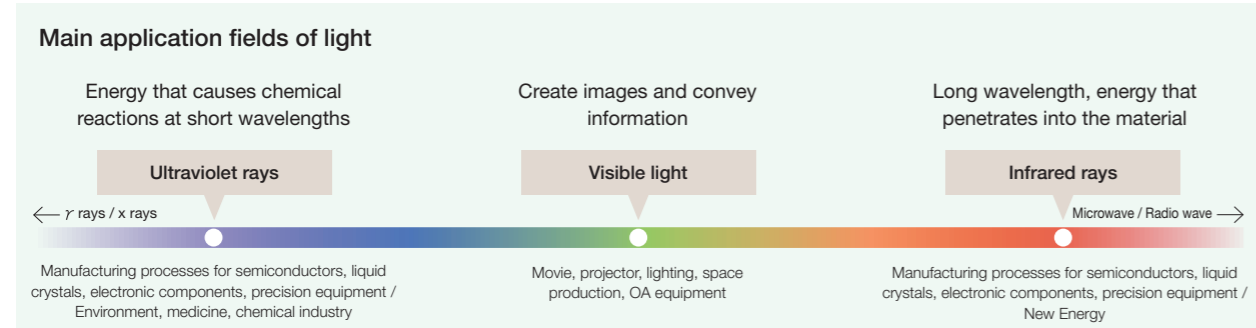
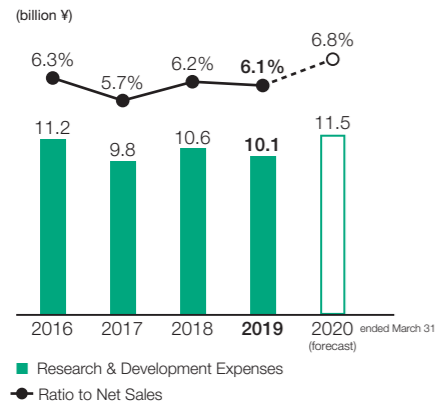
- Fields where the distinctive properties of light are leveraged
- Activities that reflect global megatrends
- Clear differences from other products and companies as a result of the development of parts using advanced microfabrication technologies and distinctive machining process techniques
- Joint development programs with customers from the early stage to ensure commercialization

R&D involves significant uncertainties. We are accelerating our development activities by running multiple programs in parallel to ensure that we proceed as planned. Currently, we are aiming to achieve commercialization in the fields of inspection and measurement products and many other categories of products and equipment.

Q: What are your policies for R&D and creating new products?
A: Hypotheses are a major component of research and development. In order to reduce uncertainty, we perform studies at an early stage concerning our expected target customers. We also believe that joint development is important. We are using this approach for the two themes on the next page, although there are differences between the companies and universities involved. Everyone has the same goal and an equal position in the project. This makes it possible to understand what customers really want, the characteristics of the entire industry involved and other items.

On the other hand, new businesses are always prone to a high degree of uncertainty. The overall probability of success is said to be merely 0.3%. Accordingly, it is important to create an abundance of ideas and identify the true value of these ideas from an early stage. We must then expand the scope of applications and examine these applications by using a broad range of values, including external viewpoints. When a project begins, engineers take the lead because of the large number of new technologies. Consequently, since 2018 we have been operating a joint laboratory called the Ushio Techno Lab that is equipped with sophisticated diagnostic and measurement devices. We plan to use this laboratory to give our engineers the opportunity to interact with people from both inside and outside the company and to examine and verify new technologies. We believe that this will further increase the level and success of our R&D activities.

Research & Development Expenses / Ratio to Net Sales



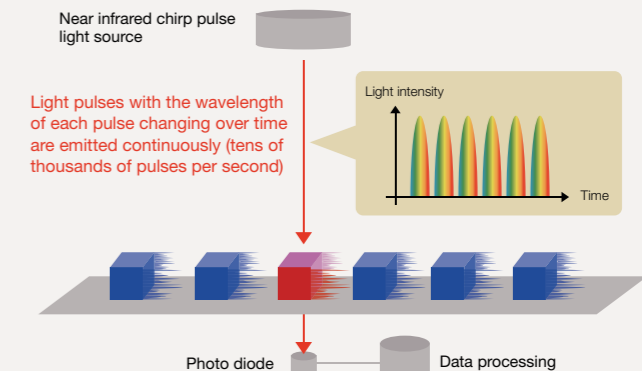
1 Theme

Ushio's New Light Source for Blanket Inspections

Manufacturers of food, cosmetics, pharmaceuticals and many other products usually perform production line inspections by using a sampling process. However, this method does not provide 100% certainty. When a defect is discovered, a company frequently has to discard a large volume of products and suspend production until the cause has been determined and corrected. The cost is enormous.

Ideally, in-line real-time measurements and inspections of all products should be performed. However, this requires technologies for non-destructive and high-speed measurements. There are various methods for measuring the composition of materials. Ushio is developing a new light source called a near infrared pulse light source, which

produces tens of thousands of light pulses per second. Specifically, we are aiming to develop a measurement technology that is 1,000 times faster than was previously possible by using a light source with pulses at a rate in the tens of thousands of times per second. At this speed, more than 100 products can be inspected every second, which will help reduce expenses, optimize production processes and facilitate the use of automation.



2 Theme

Making Invisible Objects Visible: X-ray-condensing Mirrors

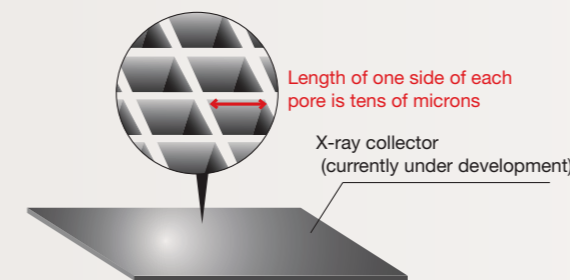
Like visible light, X-rays are a type of electromagnetic wave. They are used primarily for medical and other non-destructive inspections. In addition, X-rays are a type of light source that is extremely useful in many industrial processes. Unfortunately, the high level of energy transmission makes it difficult to control x-rays. As a result, it is extremely difficult to fabricate small X-ray devices. This is why the full potential of X-rays has not yet been realized.

There are already X-ray converging mirrors. Ushio aims to create an ultra-compact, ultra-lightweight reflector using microfabrication technologies, including laser

processing technology and magnetic fluid grinding. Specifically, we form an innumerable number of tens of micron-sized pores on a 1 mm-thick glass substrate and form reflective metal on the side-wall of the pores. The result is a light-collection, imaging element whose size is approximately one one-thousandth of the existing element.

We have succeeded in fabricating a light-collecting element that is only about 1/1000th the size of a conventional element. This is done by forming countless tiny holes measuring only tens of microns on a glass substrate of about 1 mm and placing a reflective metal on the side walls of the holes. Furthermore, since a conventional collector is divided into two parts, it is very difficult to adjust the two parts. This creates problems in terms of cost and lead time. With Ushio's revolutionary collector, consistently high production quality can be maintained because the collector is fabricated by using a single glass substrate.

We believe that this technology will lead to new applications for X-rays by making it possible to reduce the size, weight and cost of X-ray equipment.



Light Sources Business



We are creating a new light sources business in order to change the business situation and achieve sustainable growth.

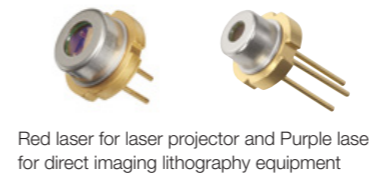


Tetsuo Nakano

General Manager, Light Source Business Division, Ushio Inc.

Hiroaki Banno

President and Chief Executive Officer, Ushio Opto Semiconductors, Inc. and General Manager, Integrated Light Source Solution Center, Ushio Inc.



Red laser for laser projector and Purple laser for direct imaging lithography equipment

Currently, we offer a red laser for projectors and a purple laser for direct-imaging exposure equipment to the existing market, in which Ushio has a strong position in lamps, in response to the ongoing transition to SSLS.

We are targeting the following four applications because we view them as the next growth opportunities for the SSLS business; (1) Sensing & Measurement, (2) Medical & Health, (3) Life Science, and (4) Automotive. At the same time, we are stepping up activities for supplying entire modules containing laser diodes and LEDs rather than simply selling these two products individually.

To alter the business situation and achieve sustainable growth, we need to create a new light sources business in which lamps are no longer the core product. In January 2019, we announced our decision to merge Ushio Opto Semiconductor (UOS) and Ushio. Taking this step will enable us to offer one-stopsales of both Ushio lamps and UOS LEDs, as well as laser diodes. Our goal is to use this unification to continue meeting the needs and high expectations of our customers as the preeminent supplier of light sources.

Q: Please review the progress of this business in the past two years.

A: Sales of data projector lamps, which are one of our main products, declined due to a downturn in the usage of these lamps in new projector models as a result of the impact of the technical transition to Solid State Light Sources (SSLS). Although most of the installed cinema projectors are still equipped with lamps, the demand for cinema replacement lamps is gradually decreasing because most of the new models utilize SSLS.

On the other hand, SSLS did not achieve the significant penetration of the market for UV lamps, which are another of our core products, because this application requires high output. However, downward market trends, such as slower investment in semiconductors and liquid crystal panels and low factory capacity utilization, affected sales.

Sales of SSLS are increasing, and higher sales are expected to eventually contribute to profits. Rapidly improving the profitability of these products remains an important challenge for us.

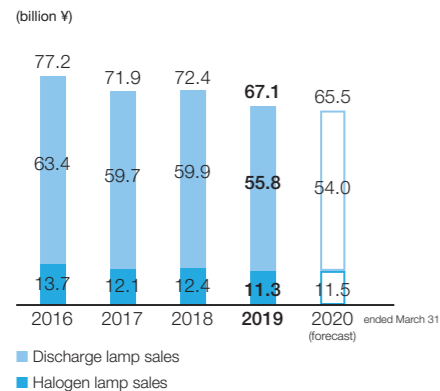
Q: What is the outlook for this business?

A: Most of the earnings in the light sources business are generated from lamps. We offer various types of lamps, and the situations depend on each business environment. For example, the demand for lamps for data projectors is shrinking due to the transition in SSLS. On the other hand, UV lamps and halogen lamps for OA equipment have not been significantly impacted by SSLS. In the case of cinema lamps, there is the potential to improve profits by implementing an effective sales strategy.

In this final year of our current Medium-Term Management Plan (MTMP), we are expanding the implementation of IT & robotics technologies to several factories to improve productivity in order to maintain the profits of lamps. Moreover, strengthened global sales and the release of high value-added products will be required to sustain lamp profits. Demand is expected to be stable in the medium term for UV lamps, cinema lamps, and halogen lamps for OA equipment.

The market for SSLS is steadily expanding, but it will still take a few years for this product sector to contribute to profit.

Light Sources Business Sales



* Solid state light sources sales are included in Discharge lamp sales.

Creating a safe, clean environment with light in the fields of the environment and hygiene



Kazutomo Takami

Leader, Marketing Team, Environmental Health with "Light"

Taking advantage of the powerful decomposition and sterilization effects that are possible only with high-energy lamps, we are creating new markets involving the environment and hygiene. Our goal is to solve the issues in these fields with major social importance.

Q: Please tell us about your current activities.

A: The bactericidal effect of ultraviolet irradiation has been well documented. However, because ultraviolet irradiation used for killing bacteria is harmful to humans, ultraviolet lighting has been used only in spaces where there are no humans, for example in empty spaces and on the surface of objects. However, Ushio has now used its own technology to develop ultraviolet lighting that is less harmful to humans. We have therefore commenced joint research and development programs with research institutions and universities concerning the disinfection of pressure ulcer wounds and surgical sites.

Furthermore, we plan to create a market for the utilization of technology to produce pure water and clean air by using ultraviolet rays for decomposing organic substances contained in water and air.

Sales have already commenced for the production of pure water, and we have also started shipments of our gas decomposition products.

Q: Please tell us about your plans for upcoming activities.

A: I believe that our business has the potential to solve social issues that have attracted a lot of attention and to develop a new market. To ensure that our business succeeds, we are aiming to provide solutions that combine not only sterilization and decomposition with light, but also the measurement/quantification of organic substances and bacteria, through co-work with partners.

Equipment Business – Optical equipment

We will respond to the increasing demand associated with the development of 5G and IoT and strengthen the recurring revenue model.



Naoki Kawamura
General Manager, Business Management
Headquarters and General Manager, System
Solution Division, Ushio Inc.

Q: Please review the progress of this business in the past two years..

A: We have taken numerous actions to improve our business structure in order to transition to a business that can consistently generate earnings. With "profit awareness reform" as a slogan, the whole company has worked together on the standardization of design processes, cost reductions by using collective procurement, sales activities that focus on profitability, quality improvements, and the reduction of inventories.

The markets for semiconductors and electronic components have been strong because of progress involving 5G mobile communications, IoT, automotive devices and smartphones. Sales of our lithography products have been increasing as a result.

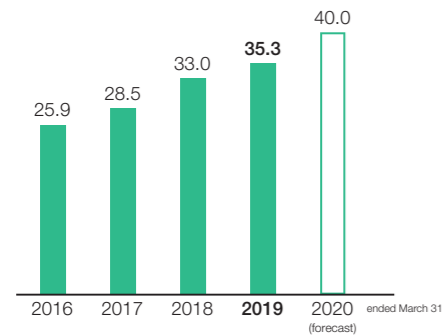
Q: What is the outlook for this business?

A: The market conditions are different in each product category. In the flat panel display market, although capital expenditures for large liquid crystal panel manufacturing in China are expected, in contrast, companies are keeping their expenditures for small and medium-sized liquid crystal panels and organic EL displays were slowing down. As a result, sales of our photo-alignment equipment did not increase. On the other hand, sales of lithography equipment for flexible substrates are climbing due to the increasing use of narrow-border displays for smartphones and other products.

In the semiconductor and electronic components market, demand for data server devices and sensors is expanding due to the progress of 5G and IoT. Our customers are continuing to make substantial investments in these fields. Moreover, in the smartphone market, which is has been relatively sluggish, companies are beginning to build new manufacturing facilities in response to the design changes required by higher performance levels. In addition, demand for in-vehicle semiconductors and in-vehicle electronic components is increasing. Sales of lithography equipment for semiconductors and electronic devices are also strong.

There is a difference in the level of investments in the flat panel display sector and the electronic components and semiconductor sectors. Our

Optical Equipment Sales
(billion ¥)



Step & repeat projection lithography tools for high resolution printed circuit boards



Projection lithography tool with roll to roll carrier

goal is to continue improving productivity while taking demand in these markets in order to become more profitable. One measure involving this goal is our recent decision to increase lithography equipment production capacity in order to meet growing demand.

Ushio's lithography equipment is used mainly in back-end semiconductor processes. Advances are taking place in these processes in conjunction with technological progress for front-end processes. We are currently developing next-generation products for these more advanced back-end processes. We are also taking actions to make our product line-up more competitive and ensure that our operations are consistently profitable.

In the optical equipment business, demand rises and falls along with the capital expenditures of our customers. Typically, there is a significant downturn in demand after a peak. Accordingly, the greatest challenge for the optical equipment business is generating recurring revenue model earnings regardless of these fluctuations in demand. Expanding businesses that generate a steady revenue stream is one way we are building a base for consistent earnings. We do not want earnings to end with the sale of a product. We also want to generate earnings from replacement lamps and maintenance services. These after-sales services can also be a valuable source of information for developing new products.

Ushio's EUV technology is playing a key role in making a next-generation semiconductor manufacturing process possible



Nobuhiro Inosako
Deputy General Manager, System Solution
Division and Leader, EUV Business Project,
Ushio Inc.

Contributing to the development of a next-generation social infrastructure is a major mission of ours. We are dedicated to building an even stronger business foundation in order to meet our obligations to society.

Q: Please tell us about Ushio's EUV light sources

A: Next-generation semiconductors with even finer circuit lines will be vital for achieving the full potential of AI, IoT, autonomous driving and other revolutionary technologies. EUV (extreme ultraviolet) lithography is attracting attention as a technology for fabricating these semiconductors. EUV lithography on a commercial scale will require EUV light sources for the equipment used to inspect ultra-high-resolution photomasks for defects. These light sources must be compact yet have very high luminance. With a compact profile and excellent luminance and reliability, our EUV light source meets all the requirements for use in photomask inspection units.

Q: Please tell us about your plans for the future?

A: Right now, the main target for our EUV light sources is inspections of the photomasks for highly advanced semiconductor manufacturing processes that use EUV.

Next, we plan to use our position in the photomask inspection category to supply sophisticated light sources with exclusive Ushio technologies in order to cover the entire inspection domain for state-of-the-art semiconductor production processes. We want to become the de facto standard for inspection equipment light sources in this market.

We also plan to start building an infrastructure for the provision of maintenance services in order to create a source of consistent earnings.

Equipment Business— Imaging equipment

We will continue to implement structural reforms and work to improve our business operations and profitability.



Kazuhisa Kamiyama
President, CHRISTIE DIGITAL SYSTEMS INC.

Q: Please review the progress of this business in the past two years.

A: Christie Digital Systems (CDS) is the nucleus of the Ushio Group's imaging equipment business. The market conditions for CDS during the past two years have been very challenging. In its mainstay projector business, CDS fell behind the competition in the launch of laser projectors as the market shifted to this technology. This negatively impacted the sales of CDS. In addition, profitability has slowly declined because of the completion of the transition from film to digital cinema, which commenced in 2009. As a result, from the fiscal year that ended in March 2019 we began implementing structural reforms to improve profitability based on initiatives such as concentrating resources on core businesses and launching value-added products. All of these initiatives contributed to an improvement in profitability from the last fiscal year.

In the previous fiscal year, we launched RGB laser projectors as the centerpiece of the new product range. The projector has a competitive advantage in terms of contrast and the useful life of its light source. Unfortunately, sales of this product fell short of our plan because of the considerable time we needed to reduce the speckle phenomenon (see below), which is a problem unique to lasers. We have now solved this problem and expect that these projectors will contribute to our sales as a result.

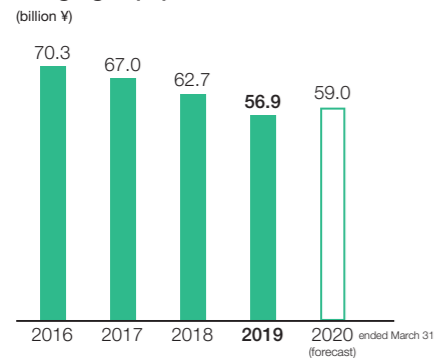
The fiscal year ending March 2020 is the second year of structural reforms, and we will continue to take actions to further improve profitability. Altering the mindsets of all of our employees and developing a new culture in order to reduce our expenses and improve productivity is another goal.

*Speckles are a high-contrast, micro-pattern of spots caused by the interference of scattered coherent laser light. They are a characteristic of lasers.

Q: What is the outlook for this business?

A: The CDS business is broadly divided into the cinema market and the other general imaging market. In recent years, the cinema market has expanded, mainly in China, and this growth is expected to continue for several more years. In North America and Europe, demand for the replacement of digital cinema projectors is expected to begin in earnest around

Imaging Equipment Sales



RGB laser projector

2020. Consequently, demand for cinema projectors is expected to remain steady. In the general imaging business, demand for products for digital signage, events and theme parks remains strong.

For this business overall, increasing profitability is the most important goal. The achievement of sustainable growth will require the frequent launch of value-added products that can meet our customers' expectations for a better visual experience. This is why we must make our products more appealing and release new products in a timely manner. The ability to procure light sources from within the Ushio Group is a unique strength of CDS. A projector's performance is predominantly determined by the quality of the light source. Ushio is the only company that handles every step from light sources to the assembly of finished projectors. Going forward, we will continue to offer competitive products by expanding our collaboration within the Ushio Group, responding to changes in our markets with a sense of urgency, and further differentiating our products from those of our competitors.

Ushio Imaging Technology Is More Than Projectors - MicroTiles® LED



Zoran Veselic
Vice President, CHRISTIE DIGITAL SYSTEMS INC.
President and COO, CHRISTIE DIGITAL SYSTEMS CANADA/USA INC.

By providing an integrated solution that optimizes many systems for the processing, transmission, management and display of audio-visual sources, we deliver a better visual experience. It is our great pleasure to provide people with surprises and excitement.

Q: Please tell us about MicroTiles® LED.

A: While strengthening our projector line-up, including the full range of RGB laser projectors, we are also working on products other than projectors. One example is LED video walls, which are attracting attention as high-intensity, high-definition displays. CDS is planning to start selling its own MicroTiles® LED product. Digital signage and other products must have the flexibility to meet demands involving picture quality as well as the shape and size of the screen. MicroTiles® LED is unique in that its shape and size can be changed flexibly. Furthermore, its pixel pitch (see below) is even narrower while retaining the flexibility and ease of use of MicroTiles® technology, which debuted about 10 years ago.

* Narrow pixel pitch: Pixel pitch is the distance between pixels. A smaller distance produces higher resolution.

Q: Please tell us about future developments.

A: CDS commenced as a manufacturer of film projectors and celebrated its 90th anniversary this year. During the past 90 years, we have provided dynamic viewing experiences that cannot be duplicated at home. We will continue to strengthen our product line-up in order to provide a better visual experience in a range of locations. Our activities encompass projection technologies such as projectors as well as peripheral technologies. Examples include hardware that directly displays images, such as the newly introduced MicroTiles® LED, and software for image processing, transmission and control/management.



MicroTiles® LED

New Business

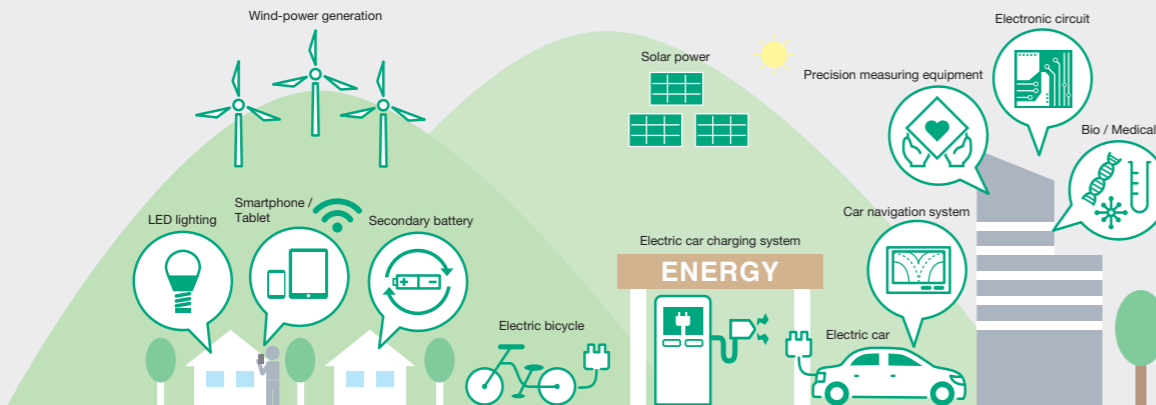
A New Field Where Light Can Be Utilized – Functional Devices Business



The range of fields in which light can play an active role is constantly expanding. For example, light is utilized in automotive head-up displays, remote sensing technology and fuel cell manufacturing processes. In addition, demand is increasing for optical components that are capable of extracting light using the best possible method. Light may be used for the microscopic surface processing of wind power, solar power and other renewable energy equipment in order to prevent the adherence of dirt, dust and other forms of soiling.

In this environment, Ushio has launched a functional devices business, taking advantage of its experience of internally developing light source and optical technologies and key parts (optical components) of optical devices as a manufacturer specializing in light and its expertise in microfabrication, which it has developed through its engagement in the semiconductor manufacturing process, particularly exposure technology.

Application examples of functional device business



Yohei Nawaki
Functional Device Development Group,
Ushio Inc.

As the range of things that can be done with light expands, there is increasing demand for more freedom to control light.

In this environment, functional parts that utilize our expertise in microfabrication will make it possible to control light in different ways from those that depend on the existing optical technology owing to their more efficient designs and manufacturing process.

We will continue to work with our customers in order to achieve more advances in technologies that use functional devices for the control of light.

Adhesive-free Bio-functional Chip Using Photobonding® Technology



In recent years, highly accurate drugs based on the human genetic platform, such as molecular-targeted drugs and antibody agents, have been developed. In the preclinical stage (using animals), there are problems with issues concerning differences between animals and humans that prevent preclinical medicinal efficacy from being replicated in clinical trials. There is a need to improve the success rate of drug discovery in order to prevent large losses due to the failure of drug development projects. As a result, bio-functional chips (see below) (Organ-on-a-Chip) are attracting attention as a solution to this problem. Once bio-functional chips are put into practical use, the accuracy and speed of drug efficacy evaluations in preclinical experiments will improve. Furthermore, experiments will consist of only human-derived cells. This will reduce the number of animal and clinical trials and significantly speed up the drug development process.

Ushio has developed a Photobonding® technique that uses the surface modification effect of vacuum ultraviolet radiation to directly bond two surfaces without an adhesive. This technology allows COP (see below) for bio-functional chips to be joined with no adhesives. The elimination of adhesives makes it possible to reproduce a more accurate biological system that is not influenced by adhesive substances on the chip.

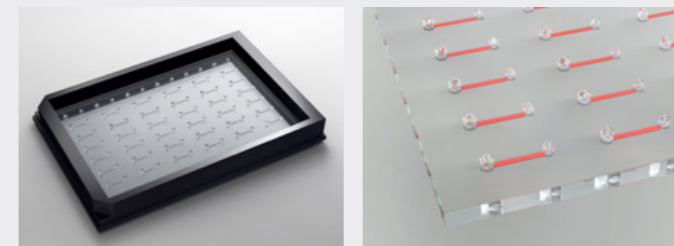
Ushio wishes to contribute to improving access to pharmaceuticals for people around the world by improving the drug development process in order to reduce drug discovery expenses.

*1 Bio-functional chip (Organ-on-a-Chip)

This chip has extremely tiny channels for liquids on the surface that are formed by using microprocess technologies. Organ cells are then grown on the surface of the chip. The chip is capable of simulating human organ functions in a way that is not possible with conventional artificial organs and animal experiments. These chips are not yet used in actual experiments, but research is continuing worldwide with the goal of making this a revolutionary tool for the development of next-generation drugs.

*2 COP (Cyclo Olefin Polymer)

This is a type of plastic used for bio-functional chip materials. COP is considered to be the best material for bio-functional chips due to its high transparency, excellent observability and low drug absorption. However, only bonding using an organic solvent has been performed to date because of the difficulty of bonding COP. This creates a problem because the remainder of the organic solvent used for bonding has an effect on the cell culture.



Makoto Yamanaka
Bioplate Technology Project, Ushio Inc.

The pace of medical development has been remarkable in recent years, and innovative treatment methods are appearing every day. Nevertheless, a lot more work is needed to overcome many diseases. I am very glad to be of assistance to a number of people involved in drug discovery and patients through this project. With this in mind, we are taking on the challenge every day of providing products that meet the latest needs of pharmaceutical manufacturers.

I am determined to contribute to the advancement of medical care and the creation of a society where more people can lead healthy lives.

The “XEFIRIA” UV Ozone Deodorizer for Hotel Rooms



Hotels in Japan are using multiple activities to raise their occupancy rates and improve the guest experience, including for the growing number of foreign tourists. One issue is the increasing demand for a method of removing odors from guest rooms quickly.

To meet this demand, Ushio used knowledge acquired from the design of industrial equipment concerning the use of UV radiation to generate ozone. Applying this know-how led to the development of XEFIRIA, the world’s first compact, maintenance-free “light” ozone deodorizer with a specially designed mercury-free UV lamp.

Compared with the conventional electrical discharge deodorizing method, XEFIRIA produces nitrogen oxides(NOx), which is harmful to people, and the time needed to remove cigarette and perfume odors is greatly reduced. In addition to this, we have focused on a light-weight design to reduce the burden of carrying the deodorizer around, simple touch panel operability, and the use of multiple languages to enhance usability. These features help reduce the burden of the cleaning staff and improve the work environment.



Ai Shirozu
Marketing Team, Environmental Health with “Light”

I have been wanting to be of help to people since before I became responsible for XEFIRIA. My work on the XEFIRIA project was extremely rewarding. For example, I have heard from hotels that this new product can remove perfume odors, which were previously very difficult to eliminate.

I now want to use this experience to solve problems involving odors in many other industries as well.



Sustainable Management

Ushio has always fulfilled its corporate social responsibilities by dealing seriously with the important issues of each era. Now, in order to strengthen our management foundations for growth, we are working on the development of our human resources, quality improvement, community, and corporate governance that enhances our management transparency and efficiency.

A History of Sustainable Management

- 2009** Formulated the Medium-Term CSR Plan that aims to integrate management strategies and CSR issues.
- 2016** Formulated the Medium-Term CSR Plan with the aim of achieving both development of the Company and social contribution.
- 2020** New Medium-Term Management Plan scheduled.

Medium-Term Management Plan (FY17-FY19)

Ushio announced a three-year Medium-Term Management Plan (MTMP) in May 2017. This section is a progress report for the first two years of this plan, which will end in March 2020. The progress of the MTMP up to the second year and initiatives for the third year are as shown below.

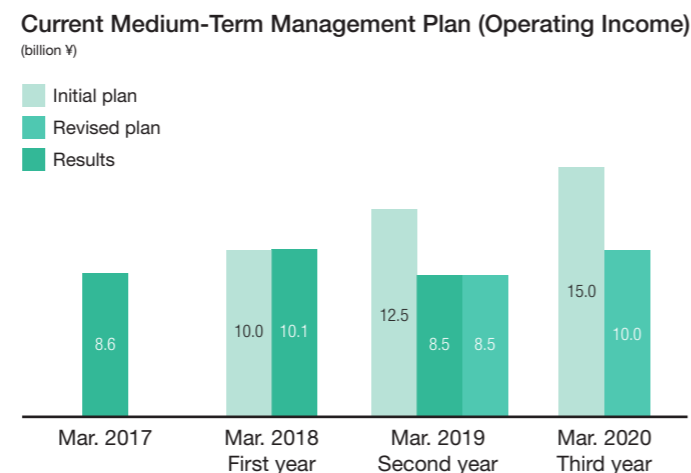
Themes

Guided by the key concept of “solidify the foundation for taking the next leap forward,” we will engage in the following two business priorities and aim to achieve the key performance indicators (KPIs).

Business Priorities	Numerical Targets (March 2020 ※Downward revision in May 2019)
1. Maintain profitability and improve existing businesses · Secure profits and maintain market share by strengthening competitiveness in existing markets.	KPIs Operating income ¥10.0 billion Operating margin 5.9%
2. Pursue new growth opportunities · Develop new markets and create new businesses by leveraging Ushio's strengths. · Accelerate development of new markets through M&A investments that emphasize synergy.	

Overview of the first two years

In the first year of the MTMP, which ended in March 2018, we achieved our goal with operating income of ¥10.1 billion. In the second year, however, the original operating income target of ¥12.5 billion was reduced to ¥8.5 billion. The causes were a decline in the earnings of existing businesses resulting from changes in the business environment and insufficient speed in creating new businesses. Consequently, for the fiscal year ending in March 2019, operating income was ¥8.5 billion. Although the business climate has not changed significantly, sales of optical equipment have been strong due to 5G, IoT and other new technologies. As a result, our goal is operating income of ¥10 billion in the fiscal year ending in March 2020.



Business priorities	Various measures	1st year	2nd year	Results and reflection	
Maintain profitability and improve existing businesses	Light sources	●	●	Improved productivity and quality by implementing IT and robotics technologies.	
	Optical equipment	●	●	Improved profitability by standardization of design, sales activities focusing on profitability, and improving quality	
	Imaging equipment	Fundamental earnings structure reform (Started from the second year of the mid-term plan)			
		Diversititune of unprofitable businesses	—	▲	Despite completion of planned diversititunes, recorded restructuring costs higher than planned
Site optimization		—	●	Completed as planned	
Pursue new growth opportunities	Launch high-value added products	—	×	RGB laser projectors had not met the required specifications in the particular market and finished below the anticipated sales	
	New market development and new business creation	▲	▲	The EUV light source for mask inspection was launched, but no outstanding results for other new businesses	
	M&A emphasizing on synergy	▲	▲	Acquired Via Mechanics' lithography equipment business in January 2018. No closed deals since then.	

Initiatives for the plan's final year

We will continue to execute the core initiatives of the MTMP to achieve our operating income target of 10 billion yen.

1. Maintain profitability and improve existing businesses

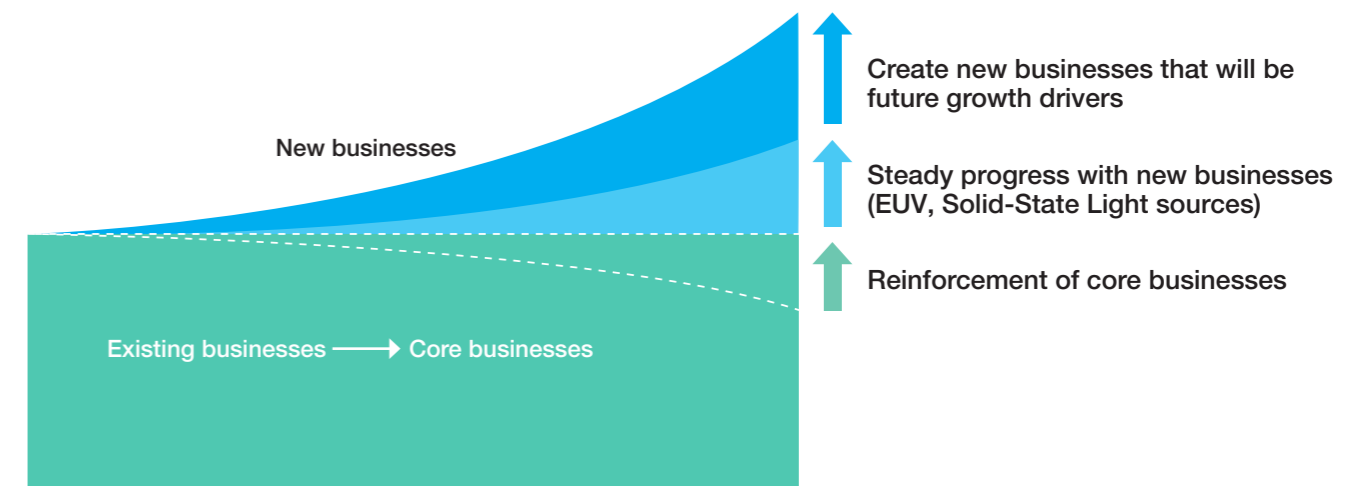
Redefine existing businesses as core businesses and create strategies for each product category to strengthen these businesses.

For lamps, our goal is to maximize earnings by implementing measures to increase earnings in step with the speed of shift to solid-state light sources in each market.

2. Pursue new growth opportunities

We will concentrate resources on measures to make the EUV and solid-state light source businesses, which are transitioning from the start-up to the growth phase, into new core businesses.

In addition, evaluate a broad range of business opportunities and establish clear priorities for our investments in order to create new businesses that can be future growth drivers. This will allow us to use investments efficiently for activities that can become large businesses in the future.



The Next Medium-Term Management Plan

To build a sound base for the start of the next MTMP (starting in April 2020), we are executing a growth strategy for strengthening our profit structure and creating investment plans based on this strategy.

The new MTMP will be announced in May 2020 following the determination of our vision and the core business domains that we will target.

Message from the Executive for Finance and Corporate Planning



Takabumi Asahi
General Manager, Corporate Headquarters

Business Overview

In the fiscal year ended March 31, 2019, net sales were ¥165.1 billion, operating income was ¥8.5 billion and net income was ¥11.3 billion. The initial plan was for operating income of ¥12.5 billion, but this was reduced to ¥8.5 billion due to changes in the market conditions. The most significant factors were declining demand for smartphones and solid-state light sources and our failure to reach our goal for imaging equipment sales. We subsequently succeeded in reaching the target of 8.5 billion. For the fiscal year ending March 31, 2020, we forecast net sales of ¥170 billion and operating income of ¥10 billion. Our operating income target in the original MTMP was ¥15 billion. This goal is no longer within our reach because of issues that slowed our progress during the plan. However, we are forecasting an increase in earnings. One reason is that the business climate for optical equipment is sound because of the increasing use of 5G mobile communications, IoT, narrower frames for displays, rising demand for electronic devices and other favorable trends. We also anticipate an improvement in the profitability of imaging equipment due to structural reforms.

Our operating income margin has been declining during the past several years for two main reasons. First is the falling profitability of imaging equipment, and second is the negative effects of the shift in demand in our core lamp business from conventional lamps to solid-state light sources. Many activities are underway for a short-term upturn in profitability. We are strengthening our imaging equipment operations and rebuilding our light sources business. To meet the strong demand for optical equipment, since demand for many types of electronic devices remains robust, we will increase the output capacity so that we do not miss any opportunities for sales. In addition, we will make large investments for the expansion of EUV light sources used for inspecting photomasks. Another important step is the planned April 2020 merger of Ushio and Ushio Opto Semiconductor in order to adapt to changing market conditions and firmly establish the next source of our growth.

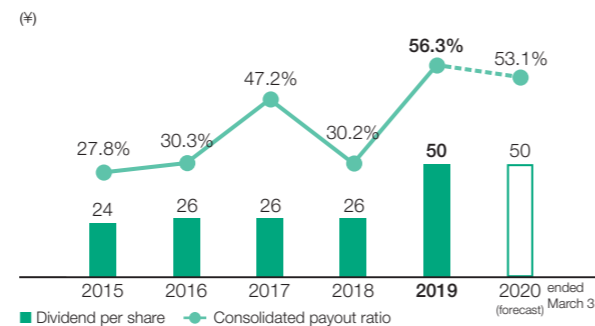
Shareholder returns

No significant investments are expected in the next few years based on the results of operations in the past fiscal year and an examination of upcoming opportunities for growth. As a result, in December 2018 and January 2019 we made an announcement of intensification of shareholder returns by the treasury shares purchase, increasing annual dividends and cancellation of treasury shares. Due to these measures, the consolidated dividend payout ratio was 56.3% for the fiscal year that ended in March 2019. We will continue to take actions

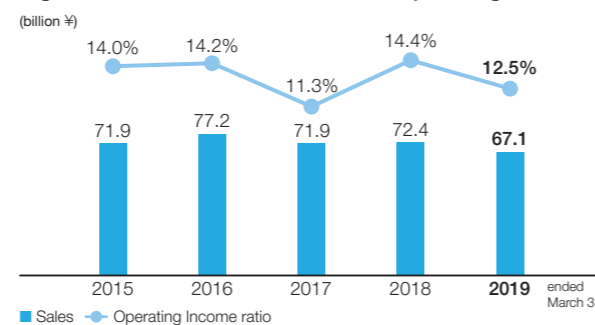
Shareholder return policy and specific details

Annual dividend per share	¥25 (actual results for the previous year) →Increased to ¥50
Acquisition of treasury stock	Maximum 10 billion yen (8 million shares) December 21, 2018-December 20, 2019
Treasury stock cancellation	The excess portion of approximately 5% will be cancelled in each year

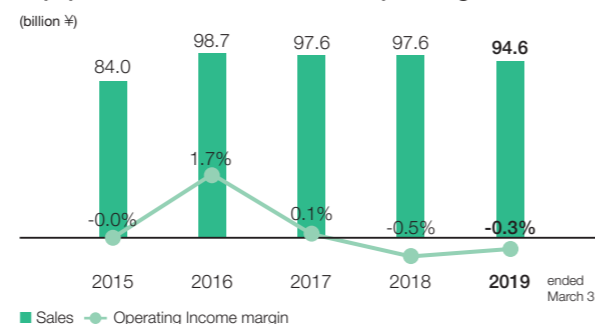
Dividend per share and consolidated payout ratio



Light Sources Business Sales and Operating Income ratio



Equipment Business Sales and Operating Income ratio



aimed at improving capital efficiently in accordance with our policy of distributing earnings to shareholders in a stable and consistent manner. For the fiscal year ending March 31, 2020, we plan to pay a dividend of ¥50 per share, the same as for the previous fiscal year.

Enhancing enterprise value

Since the fiscal year ended March 31, 2018, we have placed priority on maintaining and improving profitability in the existing business and pursuing new growth opportunities. We still have some challenges. The situation is caused by a weak sense of crisis about increasing working capital, including inventories, and a poor awareness of the need to improve the business where profitability is low, among other reasons. As a result, our capital efficiency has declined. To improve the situation, we will strengthen our ability to make a profit by pursuing high profits and converting assets to profits efficiently.

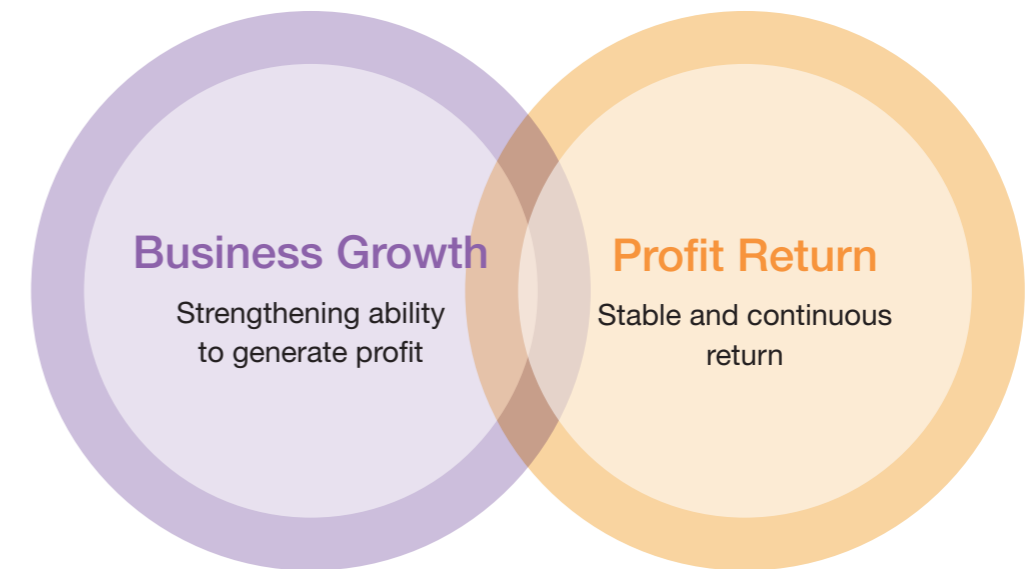
Specifically, we aim to change our mindset to emphasize profit and eliminate the wasteful use of management

assets by strengthening investment evaluation and monitoring at each Group company and to make business investments that will generate profits by redefining corporate strategies and making the priority order clear.

We have established a task force for formulating corporate strategies. We plan to present a new MTMP to the stakeholders in May 2020.

Building more solid management infrastructure

To become more profitable and respond to rapid changes in our markets, we must improve our organizational capabilities. Accomplishing this will require more employee training, skill development programs, the establishment of an energetic workplace environment, and enhancement of diversity. In addition, risk management activities encompassing companies and society will be vital for the sustainability of Ushio Group. We also position CSR as a vital element of measures for building an even stronger management infrastructure.



Emphasis on profits and efficient operation of management resources

- Strengthen investment effect assessment and performance monitoring
- Reduce working capital
- Improve productivity

Stable dividend

Dividend per share for the fiscal year ending March 2020 is ¥50 (forecast)

Share buyback

Maximum 10 billion yen (8 million shares) (December 21, 2018 announcement)

Clarification of resource allocation based on business strategy

- Develop business growth strategy through task force
- Develop financial strategy formulated to be worked with business strategy

Treasury share cancellation

The excess portion of approximately 5% will be cancelled in each year

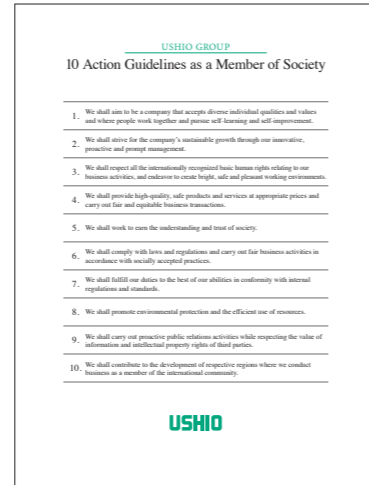
Strengthen management foundation

- Strengthen human resource management
- Strengthen CSR initiatives
- Strengthen group consolidated management

CSR Management

The Ushio's Philosophy and CSR Management

Ushio is dedicated to using technology involving light to play a role in solving a broad range of social issues and creating a sustainable society. CSR is the foundation for all activities based on the corporate philosophy and guidelines for behavior as well as for business operations. We also maintain strong lines of communication with all stakeholders in order to build sound relationships. We believe that this stance is critical to our ability to achieve sustainable progress with communities and society and are conducting many activities for accomplishing this goal.

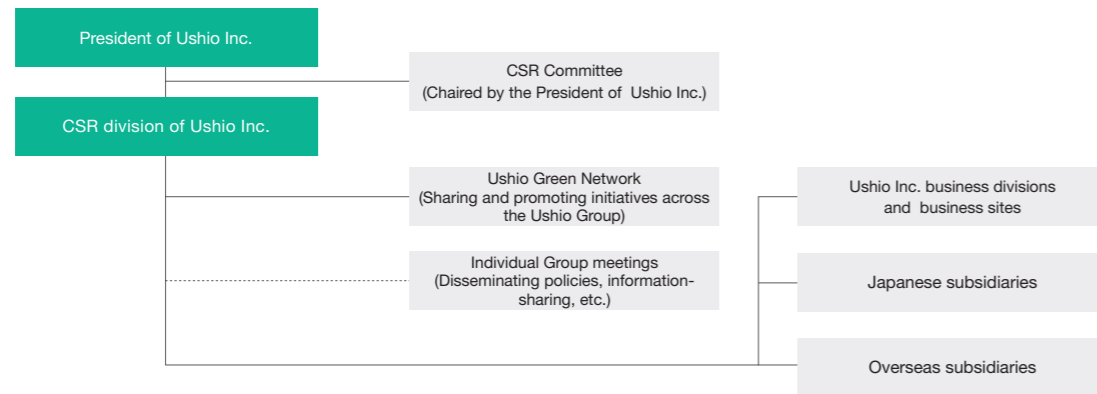


CSR Promotion Framework

The CSR committee, which is chaired by Ushio's president, determines policies for CSR programs at the Ushio Group. Based on these policies, committees for specific issues and all Ushio departments associated with CSR establish and implement plans for every Ushio department and business site as well as all group companies.

There is also an Ushio Green Network for programs

throughout the group, as well as sharing information about these initiatives, and CSR conferences that bring together group companies. The aim of these activities is to raise awareness of the importance of CSR and make CSR information accessible to everyone.



Medium-Term CSR Plan

Ushio established a Medium-Term CSR Plan in fiscal 2016 for the purposes of raising the level of CSR activities and achieving the dual goals of progress for the Ushio Group and for society.

The plan has two key elements with goals for the fiscal year ending in March 2021. The first is "deepening." This involves focusing on core initiatives for the advancement of business operations and society. The second is "expansion," which is the goal of extending the framework for CSR activities outward from Ushio to include all group companies.

We will continue and upgrade current CSR programs. At the same time, we will place priority on measures that contribute to society as well as our own business operations. Building a CSR management structure that reflects the increasingly global scale of our operations is another goal. We believe these activities are vital for sustainable progress.

In addition, in line with the next Medium-Term Management Plan, we plan to start a Medium-Term CSR plan linked to our business from the fiscal year ending March 2021.

Recognition of Ushio's CSR Programs

Ushio has been selected for inclusion in all four ESG (environment, society, governance) indices that are used by the Government Pension Investment Fund of Japan, the world's largest pension fund. These indices are the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index (WIN), the FTSE Blossom Japan Index and the S&P/JPX Carbon Efficient Index.

The contribution of ESG investments to increasing risk-adjusted returns is believed to increase as the holding period of investments become longer. Ushio's inclusion in these indices demonstrates the widespread recognition of its commitment to the environment, society and governance.

Inclusion in CSR Management Indices



Ushio has been selected for 16 consecutive years for inclusion in the FTSE-Russell FTS-E4Good Global Index of socially responsible companies worldwide. Furthermore, for three consecutive years, USHIO has been part of the FTSE Blossom Japan Index of Japanese companies with outstanding ESG programs.

Note: FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) has certified that Ushio meets the requirements of the FTSE Blossom Japan Index based on a third-party assessment. Produced by the global index firm FTSE Russell, this index is designed to measure the performance of Japanese companies with outstanding ESG programs. The index is used as a benchmark for the establishment and evaluation of investment funds and other financial products focused on sustainable investment.



The MSCI Japan ESG Select Leaders Index consists of companies with strong commitments to ESG that is based on the MSCI Japan IMI Top 700 Index. The MSCI Japan Empowering Women Index (WIN) consists of companies in this top 700 index that have excellent gender diversity within their respective industries in accordance with a gender diversity score newly developed by MSCI. Ushio has been selected for the WIN for three consecutive years.

Note: The inclusion of Ushio in an MSCI index and the use by Ushio of the MSCI logo, trademark and service marks do not imply that MSCI or its affiliated companies are supporting Ushio or its advertising and sales activities. MSCI has exclusive rights to the MSCI indices and the MSCI name, MSCI indices and their logos are trademarks and service marks of MSCI and its affiliated companies, and other financial products focused on sustainable investment.



The S&P/JPX Carbon Efficient Index is designed to measure the performance of companies in TOPIX, an index calculated and provided by the Tokyo Stock Exchange. Ushio is included in this global environmental stock index that evaluates carbon emissions in relation to each company's sales.



Ushio has been selected for inclusion in the 2019 SNAM Sustainability Index, which was created by Sompo Japan Nipponkoa Asset Management Co., Ltd. The SNAM Sustainability Index is used for SNAM Sustainable Investments, an asset management product for pension funds and institutional investors that targets about 300 companies with superior ESG performance. Ushio has been included in this index for eight consecutive years beginning in 2012.

Enhancing Quality Management

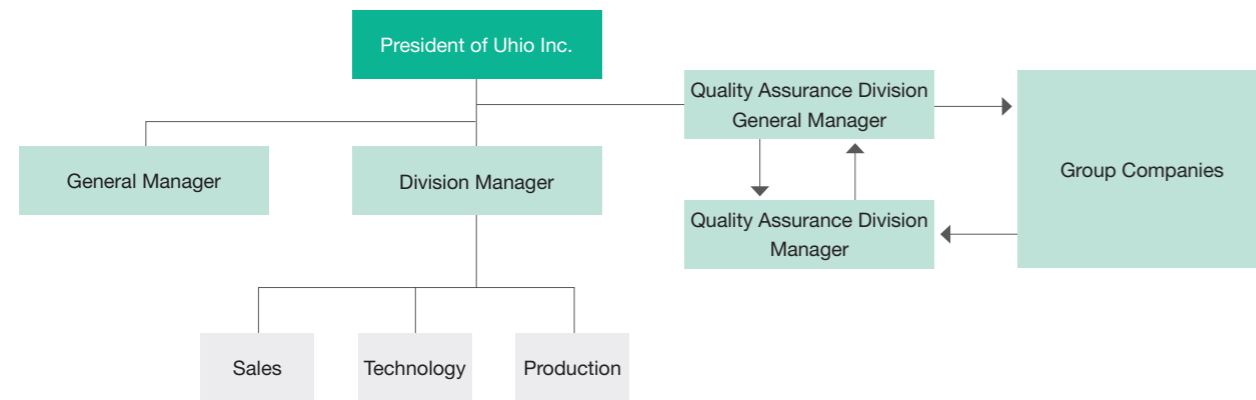
Quality Management System

Ushio operates a quality management system under the supervision of the company's president that is operated in accordance with Ushio's policies for quality and the environment.

During 2018, Ushio streamlined the quality management system and improved its effectiveness by starting

the integrated implementation of ISO9001 and ISO14001. We plan to continue raising the amount of joint utilization of these two quality management standards in order to make further gains in efficiency and effectiveness.

Management System Structure



Quality Management Activities

Ushio's Harima Division is increasing the use of IT and robotics. The goals are to enable this factory to adapt with greater flexibility to changing market conditions, lower human error and raise quality as well as maintain consistency. These activities have produced the following benefits.

These activities will be expanded beyond Harima, which serves as the mother plant, to other production locations and group companies worldwide. In addition, quality management initiatives are encompassing manufacturing processes as well as inspections and administrative tasks.

Benefits of Quality Management Activities

Production Line Automation

For many years, the large number of manual tasks required for lamp production resulted in reliance on the skills of individuals. We have started using robots for some processes that can be automated in order to reduce human mistakes and variations on quality. Furthermore, these activities included revisions to production processes, automated inspections of all items produced and the improvement of processes by linking selected manufacturing steps. These measures improved the quality of finished products, raised the reliability of production tasks and shortened the order lead time.

On-time Visualization of Production, Quality and Processing

The use of IT results in the on-time visualization of the status of every step of production. Using this information strengthens the oversight of manufacturing, making it possible to quickly discover and resolve problems in order to prevent defective products.

Human Rights

Basic Stance

We understand that respect for human rights is vital to our ability to be a company able to earn the trust of the public by fulfilling our obligations as a member of the global community. We adhere to a number of international standards of behavior and guidelines involving human rights: the Universal Declaration of Human Rights; the U.N. Guiding Principles on Business and Human

Rights; the Ten Principles of the U.N. Global Compact, which are universal principles for human rights and labor standards; the International Labor Organization Declaration on Fundamental Principles and Rights at Work; and ISO26000, an international standard for social responsibility.

Activities for the Protection of All Human Rights

In 2015, Ushio revised the third chapter of "10 Action Guidelines as a Member of Society." With this revision, we clearly stated our commitment to respecting international guidelines that go beyond the laws of individual countries with regard to all human rights that are affected by our business activities. We exercise caution in order to prevent any involvement, whether direct or indirect, in actions that are detrimental to all categories of human rights defined in the Universal Declaration of Human Rights.

Business operations extend from the development of

products all the way to the handling of products at the end of their lives. We need to reflect the interests of the large number of people who are associated with all of these steps. We conduct business activities that comply with guidelines as a company dedicated to protecting and respecting human rights and providing remedies for human rights abuses as stated in the U.N. Guiding Principles on Business and Human Rights. In addition, activities for the evaluation of business operations include audits concerning human rights and labor issues.

Whistleblower System

Ushio has an internal system for reporting improper behavior and other problems. The system covers the entire Ushio Group, including overseas companies, in order to provide for rapid responses to any issues. External professionals and organizations are used as needed. Reports are submitted to an attorney or other external location. This system plays an instrumental role in our

ability to quickly identify problems without concealing information as well as to enable everyone at the Ushio Group to feel confident about submitting reports whenever necessary. Providing this system also contributes to risk management by making everyone more aware of potential problems and facilitating rapid and proper responses.

Reinforcement of Risk Management

Fundamental Structure

For risk management, Ushio designates departments that are responsible for monitoring and assessing a variety of risk factors involving business operations and management. These risk factors include compliance, environmental performance, product quality, legal

matters, disasters, information, the management of exports and other items. In addition, reports concerning risk factors are submitted to the Compliance Committee and the CSR Committee.

Management of Risk Factors

Disasters	A plan with daily steps for restoring operations is in place for every phase of a response to a disaster, from the initial response to measures for establishing the necessary infrastructure and preparing for the resumption of manufacturing operations.
Environment	Environmental risk factors are examined periodically and the potential effects are assessed and managed.
Export management	A unit dedicated solely to export management determines rules and conducts education and oversight activities specifically for risk associated with export management.
Procurement	As part of CSR procurement activities, there are studies and actions as needed regarding risk associated with corruption, human rights and pollution.

Risk Management Activities

Climate Change

Fulfilling obligations for protecting the environment is one of the greatest social responsibilities of Ushio. We are playing a role in the creation of a sustainable society by using numerous environmental protection measures in all aspects of our business operations.

As part of our commitment to coexist with the environment, we envision a variety of impacts of climate change and clearly define the associated risks in order to be a company capable of sustainable progress. Furthermore, we are always examining the best ways for Ushio to be a responsible member of society.

The establishment of a CO₂ emission reduction target is one way we are protecting the environment. In June 2019, our goal was certified as a Science Based Target. In addition, as one way to deal with risk involving climate change, we have changed the basis of our CO₂ reduction target from emission intensity to the absolute volume of emissions. We plan to lower our emission volume while continuing to perform intensity-based emission management as well.

Information Security

In association with its business operations, Ushio holds personal information about customers and sensitive corporate information about business customers. We are well aware of the importance of protecting this information from leaks, unauthorized alterations and other threats. Furthermore, we regard this information as an important asset for creating value and raising our corporate value. This is why we have many programs aimed at increasing employees' commitment to information security, strengthening risk management and other improvements.

Sound information security requires a trinity

components: establishing rules, creating a framework for following these rules, and making everyone more aware of the importance of information security. We are focusing on performing information security in accordance with the rules and making all of these rules uniform throughout the Ushio Group.

Reexamining information security rules as needed to reflect changes in the business climate is vital for ensuring that the rules remain up to date. Furthermore, we are currently taking actions for establishing and implementing security policies at all group companies.

Community Activities

Ushio is dedicated to using its business operations and technologies to help solve social issues and be a responsible member of communities.

One example is the Dream Projection Project, which uses a mobile cinema and other measures to support the dreams of children around the world. The mobile cinema gives children their first exposure to a movie or other performance. Another role of this program is the direct and indirect provision of materials, technologies and opportunities to children who have no means of

expressing themselves. The goals are to encourage young people to have big dreams and to enable communities to create distinctive cultures.



Major Activities

- Support for mobile cinema activities in Mexico, Cambodia and Bangladesh
- Provision of a projector, illumination equipment and other supplies for the projection mapping project of Onagawa-cho junior high school students in Japan's Miyagi Prefecture
- At a movie theater in Himeji, where Ushio was founded, Ushio holds a variety of attractions concerning imaging at a movie theater and brings children living at facilities with few opportunities to see movies to the theater.



Medium and Long-term GHG Emission Reduction Target

SCOPE 1+2 21% reduction from the FY2017 level by 2030

SCOPE 3 Category 11 (use of products) reduction of 21% from the FY2017 level by 2030

For SCOPE 1 + 2 emissions, in addition to cooperating with CO₂ emission reduction measures of individual countries, Ushio Group factories are installing solar power equipment and taking into consideration CO₂ emissions and other environmental factors in addition to the cost when selecting providers of electricity. We plan to use these measures to reach the target for 2030.

For SCOPE 3 category 11 emissions, we plan to cut total CO₂ emissions by increasing sales of environmentally responsible products.

Human Resources Management

Human Resource Vision

“A Vibrant Group that Creates Joy and Wonder”

People are vital for Ushio Inc’s ability to achieve sustained growth. Part of our corporate philosophy is “Build both a prosperous Company and prosperous employees..” Accomplishing this goal requires the constant creation of new value. Moreover, we believe that there are two critical sources of the energy needed to provide new value. We believe that there are two sources of new value: the joy that arises from resolving the issues of society and customers to enhance people’s lives, and the wonder we experience when we achieve something that has not been able to be achieved previously, which only we can achieve using our own technologies and proposals.

One more component of our human resources vision is the goal of being an organization where everyone works as a unified team with the same objective. We want all our people to have jobs that are challenging and rewarding and to have a sense of advancing their skills and careers.

With this vision in mind, we ask everyone at the Ushio Inc. “to be ambitious, respect people with different values, and work as a team of professionals who are always working together and accepting new challenges.” Combining this stance with a well-structured framework for managing our people will enable us to build an even stronger foundation for our business operations and growth.

Ideal Human Resources at Ushio Inc.

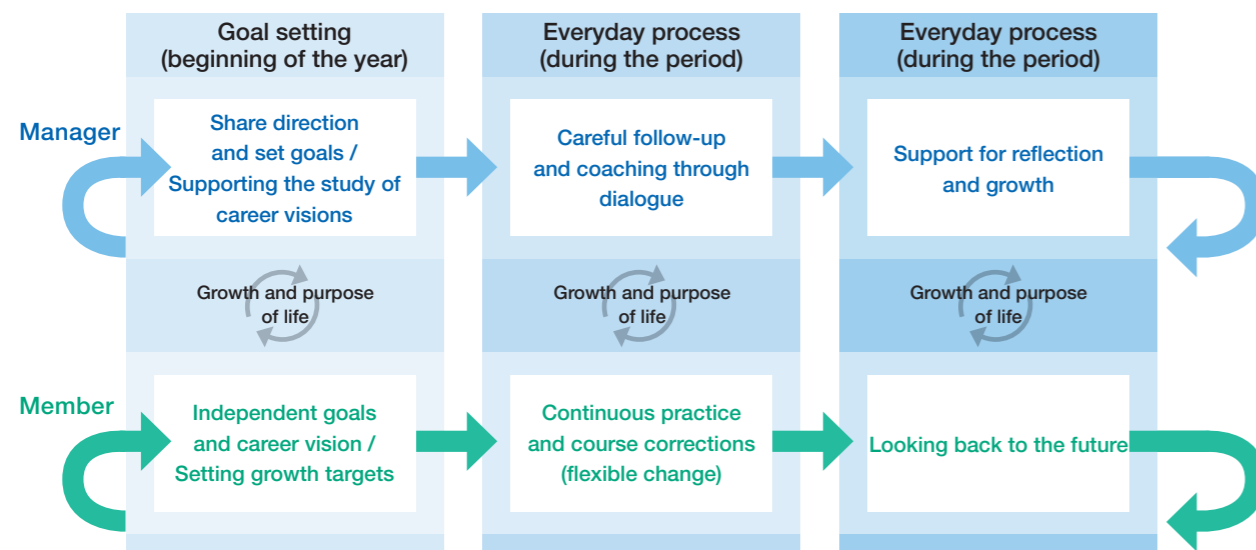
Professionals who have aspirations and passion, respect diverse values and continue to cooperate and take on challenges.

Activities (1) The Goal Evaluation System

The U&I Growth (UIG) Cycle

In April 2018, we revised our goal evaluation system in order to create a framework that would be better suited to achieving the advancement of our business operations and our people. Because our purpose is not only achieving goals but also producing value, we have changed

goal setting to setting goals based on a mission (expectations of contribution) and evaluation criterion to the degree of contribution in consideration of roles and qualifications. Making these changes has resulted in the U&I (“Ushio” and “I”) growth cycle – a system that aims to



accomplish goals as well as create value.

To shift the emphasis from evaluations without purpose to evaluations that enable people to enhance their skills, we began holding Human Resources Interaction Meetings. Managers participate in these meetings in order to ensure that the same perspective and standards are used for personnel assessments. These gatherings are

also an opportunity for discussions about the strengths and issues of people and goals for training and career advancement programs.

In addition, we provide assistance for giving employees more potential pathways for advancement by enabling them to determine their career directions and objectives and then set targets in order to move forward.

Activities (2) Employee Training Programs

Ushio Inc. has training and skill advancement programs for the development of individuals who will become the next generation of senior managers. Training gives people an understanding of the corporate culture and the importance of innovation in order to achieve sustained growth.

Training of Management Personnel

We select people who have the potential to advance to management positions. Our selections place emphasis on the ability to create a vision, accept risk, make decisions, earn profits, have a strong commitment to completing tasks, and maintain high ethical standards. These individuals undergo training in accordance with a carefully structured plan, and their performance is evaluated in order to enable them to make constant progress toward specific objectives.

Senior executives participate in an annual Company-wide human resources sharing meeting and review the progress and the human resources development plan.

The Young Executive Program

Ushio Group employees in their 20s and 30s who are self-selected or selected by others participate in an 18-month program where they aim to acquire aspirations and passion, the ability to formulate strategies, the ability to get things done, and responsiveness on a global basis. The program is structured to increase their sense of dedication and ability to formulate strategies, translate ideas into actions, and be successful in international business. The training includes lessons provided by Ushio executives and external management and other professionals.

By undergoing this program, people gain a broader, sharper perspective and more insight into their own capabilities and goals. Participants also have the opportunity to think about the characteristics of effective leaders. Action planning is another part of this training.

Participants learn about submitting ideas to management, altering an organization and instigating reforms.

Development of Global Business Skills

Ushio Inc. uses an overseas study program and trainee program to give people the knowledge and skills necessary to perform important roles in business operations on a global scale. For overseas study, employees can apply for the opportunity to undertake education in other countries to learn advanced professional skills. The trainee program provides people with experience at overseas Ushio Group companies to enable them to make a significant contribution to the group’s operations.

We have launched a project for improving the ability of our people to speak English for the purpose of increasing global communication skills. We give teams the opportunity to study English. Using this approach improves the English of individuals and fosters a strong sense of teamwork while learning English.



Diversity

Ushio Inc. promotes diversity as a management strategy to continue to produce new value and grow sustainably. The entire company, including all employees as well as the human resources department and management,

works to develop an optimum culture and an optimum system in every workplace to achieve diversity in terms of age, gender, and nationality, among other attributes, and utilize diverse experience, capabilities and values.



Basic Policies for Diversity

1. Maintain a culture and a framework that respect people who have a broad range of values.
2. Place priority on customization that utilizes the power of individuals and organizations rather than on a single approach for the entire company.

Activities

Diversity Education Seminars

We invited outside lecturers and held a seminar to ensure that each employee understood the significance of promoting diversity. About 1,000 employees participated and thought actively about their future.

Following the lecture, we will strive to develop a culture of promoting diversity.



Job Resumption Program

We launched this program in November 2015 in order to allow people who have resigned to care for a child or parent or for some other reason to return to Ushio Inc.. Rehiring people who have resigned for personal or other reasons makes it possible to continue using their knowledge. These experienced people can immediately make a meaningful contribution to business operations.

Work style reform (Flexible Time and Working from Home)

The increasing diversity of business activities, workplaces and employees is creating a greater need for more flexibility in how people do their jobs. The objective is to fully utilize the power of individuals and the organization. This is why Ushio Inc. has a flexible working time system and launched a system that allows people to work from home in January 2019. Ushio Inc. has introduced a flextime system and also introduced a telework system in January 2019 to create a work environment that offers an autonomous and efficient way of working.

Global Recruiting Activities

For many years, Ushio Inc. has hired foreign nationals, including foreign residents in Japan and foreign students studying in Japan. In FY2018, it began hiring new graduates of foreign nationalities. Starting in the fiscal year that ended in March 2019, we have also been conducting recruitment programs for hiring people in other countries who have recently completed a college degree or other education.

In addition, we have a follow-up program to support

new foreign employees and are strengthening this program. Our support allows people with little knowledge of Japanese culture to work at Ushio Inc. for many years with confidence while performing challenging and rewarding jobs.

We will continue to recruit people with a diverse range of backgrounds, including nationalities, as we maintain a workforce of individuals who are consistent with the principles and goals of Ushio Inc..



Jo Seongmok
Mechanical Design Section, System Solution Division, Ushio Inc.

When I was a student, I wanted to find a job that would enable me to test what I design. I am glad that I have found that kind of job.

Living in Japan was difficult at times. But I enjoy my job because of the support of my supervisors and coworkers who treat me kindly, viewing me no differently because I am a foreigner. This makes me happy that I am working in Japan.

My greatest strengths are that I enjoy my job and I am Korean. I will utilize these strengths to serve customers in Korea by using my extensive knowledge of Ushio products to identify their needs and supply the necessary products.

In the future, I would like to contribute to improving quality by improving devices and developing new devices, using my experience.



Lee Sungryong
Software & Electronic Design Section 1, System Solution Division, Ushio Inc.

Ushio Inc. allows us to take on challenges regardless of our length of service and experience if we have passion and make efforts. I feel that the company is worker-friendly.

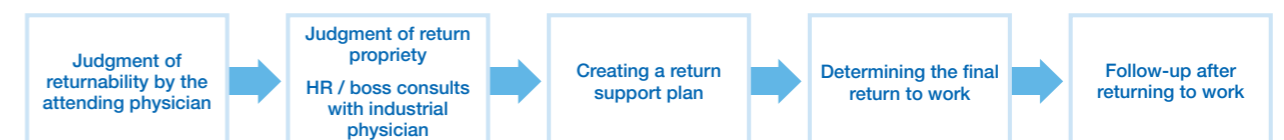
Hierarchical relationships are not very strong, and young employees' opinions are listened to. I think that Ushio Inc. has open workplaces. To become a developer who thinks and acts proactively, I aim to become a leader in the development of new devices by gathering information proactively instead of waiting for information from customers and market information from the sales department and other sources.

Support for Work and Healthcare

Ushio Inc. has a program that gives people time off in the event of an illness, accident or other health problem. Providing this assistance allows them to retain their jobs while concentrating their energy on regaining their health.

When an individual returns to work, an industrial

physician, human resources personnel, supervisors and others ensure that the return takes place properly by creating a plan tailored to the requirements of each person.



Corporate Governance

Directors (as of June 27, 2019)



Jiro Ushio

Chairman and Chief Executive Officer

Mar. 1964 Established USHIO INC. and served as President and Chief Executive Officer
Apr. 1979 Chairman and Chief Executive Officer (incumbent)



Koji Naito

President and Chief Executive Officer

Apr. 1986 Joined USHIO INC.
Apr. 2014 General Manager, Business Division III
Oct. 2014 Executive Officer
Deputy General Manager, Light Source Business Division and General Manager, Sales Division, Light Source Business Division
Apr. 2015 Senior Executive Officer
General Manager, Light Source Business Division
Apr. 2016 Managing Executive Officer
Apr. 2019 Chief Executive Officer
Jun. 2019 President and Chief Executive Officer (incumbent)



Yoshinari Hara

Outside Director

Apr. 1967 Joined Daiwa Securities Co., Ltd.
Jun. 1991 Director, Daiwa Securities Co., Ltd.
Sep. 1995 Managing Director, Daiwa Securities Co., Ltd.
Oct. 1997 President and Representative Director, Daiwa Securities Co., Ltd.
Apr. 1999 President and Representative Director and CEO, Daiwa Securities Group Inc.
President and Representative Director, Daiwa Securities Co., Ltd.
Jun. 2004 Chairman of the Board and Director, Daiwa Securities Group Inc.
Jun. 2008 Chief Corporate Advisor, Daiwa Securities Group Inc.
Jun. 2012 Honorary Advisor, Daiwa Securities Group Inc. (incumbent)
Jun. 2014 Outside Director (incumbent)



Yasufumi Kanemaru

Outside Director

Apr. 1979 Joined TKC Corporation
Apr. 1982 Joined Logic Systems International, Inc.
Sep. 1985 Director, NTT PC Communications Incorporated
Nov. 1989 Established Future System Consulting Corp. (currently Future Corporation) and served as President and Chief Executive Officer
Mar. 2006 Chairman, President and Chief Executive Officer, Future System Consulting Corp.
Jan. 2007 Chairman and Chief Executive Officer, Future Architect, Inc. (currently Future Corporation)
Mar. 2011 Chairman, President and Chief Executive Officer, Future Architect, Inc.
Jun. 2015 Outside Director (incumbent)
Jul. 2015 Chairman, Future Architect, Inc.
Apr. 2016 Chairman, President and Group Chief Executive Officer, Future Corporation (incumbent)
Chairman, Future Architect, Inc. (incumbent)



Naoki Kawamura

Director and Senior Managing Executive Officer

Apr. 1986 Joined USHIO INC.
Apr. 2011 General Manager, Optical System Business Unit, Business Division II
Oct. 2014 Deputy General Manager, Biomedical Division and General Manager, Sales Division, Biomedical Division
Feb. 2015 General Manager, Biomedical Division and General Manager, Sales Division, Biomedical Division
Apr. 2015 Executive Officer
General Manager, Biomedical Division
Nov. 2016 General Manager, System Solution Division
Apr. 2017 Senior Executive Officer
Apr. 2018 Managing Executive Officer
Apr. 2019 Senior Managing Executive Officer
General Manager, Business Management Headquarters and General Manager, System Solution Division, Business Management Headquarters (incumbent)
May 2019 General Manager, Business Development Division, Business Management Headquarters
Jun. 2019 Director and Senior Managing Executive Officer (incumbent)



Shiro Ushio

Director and Managing Executive Officer

Apr. 1991 Joined USHIO U-TECH, INC. (currently, USHIO LIGHTING, INC.)
Jun. 1991 Director, USHIO U-TECH, INC.
Apr. 1992 Executive Director, USHIO U-TECH, INC.
Feb. 1996 President and Chief Operating Officer, USHIO U-TECH, INC.
Apr. 2004 Chairman and Chief Executive Officer, USHIO LIGHTING, INC.
Group Senior Executive Officer
Mar. 2005 Director and Managing Executive Officer
Apr. 2010 Chairman and Chief Executive Officer, USHIO LIGHTING, INC. (incumbent)
Director and Group Managing Executive Officer
Jun. 2010 Director and Managing Executive Officer (incumbent)



Sakie T. Fukushima

Outside Director

Jun. 1980 Joined Braxton International
Sep. 1987 Joined Bain & Company, Inc.
Aug. 1991 Joined Korn/Ferry International-Japan
May 1995 Director, Korn/Ferry International
Sep. 2000 Regional Managing Director, Korn/Ferry International-Japan
Jul. 2001 President and Representative Director, Korn/Ferry International-Japan
May 2009 Chairman & Representative Director, Korn/Ferry International-Japan
Jul. 2010 President & Representative Director, G&S Global Advisors Inc. (incumbent)
May 2012 Outside Director, J. Front Retailing Co., Ltd. (incumbent)
Jun. 2016 Outside Director (incumbent)
Jun. 2019 Outside Director, KONICA MINOLTA, INC. (incumbent)



Toyonari Sasaki

Outside Director

Apr. 1976 Joined the Ministry of Finance
Jul. 2003 Deputy Director, General of the Budget Bureau
Jul. 2007 First Deputy Commissioner, National Tax Agency
Jul. 2008 Director, General of the Financial Bureau
Jan. 2010 Assistant Chief Cabinet Secretary, Cabinet Secretariat
Apr. 2013 Chief Domestic Coordinator, Governmental Headquarters for the Trans-Pacific Strategic Economic Partnership Agreement (TPP), Cabinet Secretariat
Apr. 2016 Vice Chairman, the Life Insurance Association of Japan (incumbent)
Jun. 2019 Outside Director (incumbent)



Kazuhisa Kamiyama

Director and Group Senior Executive Officer

Sep. 1995 Joined USHIO INC.
Nov. 2013 General Manager, Corporate Planning Department, Corporate Management Division
Apr. 2016 Executive Officer
General Manager, Corporate Headquarters and General Manager, Corporate Strategy Division, Corporate Headquarters
Apr. 2018 General Manager, Corporate Headquarters
Jul. 2018 Group Executive Officer
Chief Financial Officer, CHRISTIE DIGITAL SYSTEMS INC.
Apr. 2019 Group Senior Executive Officer
President, CHRISTIE DIGITAL SYSTEMS INC. (incumbent)
Chairman and Chief Executive Officer, CHRISTIE DIGITAL SYSTEMS USA, INC. (incumbent)
Chairman and Chief Executive Officer, CHRISTIE DIGITAL SYSTEMS CANADA INC. (incumbent)
Jun. 2019 Director and Group Senior Executive Officer (incumbent)



Nobuyuki Kobayashi

Director (a Full-time Audit & Supervisory Committee Member)

Apr. 1982 Joined USHIO INC.
Apr. 2007 Executive Officer
Jul. 2011 Senior Executive Officer
Apr. 2013 General Manager, Corporate Management Division
General Manager, Business Planning Department, Corporate Management Division
Jun. 2013 Director and Managing Executive Officer
Apr. 2014 General Manager, Corporate Management Division
Apr. 2016 In charge of Corporate Headquarters
Jun. 2016 Director (a Full-time Audit & Supervisory Committee Member) (incumbent)



Masanori Yoneda

Outside Director (an Audit & Supervisory Committee Member)

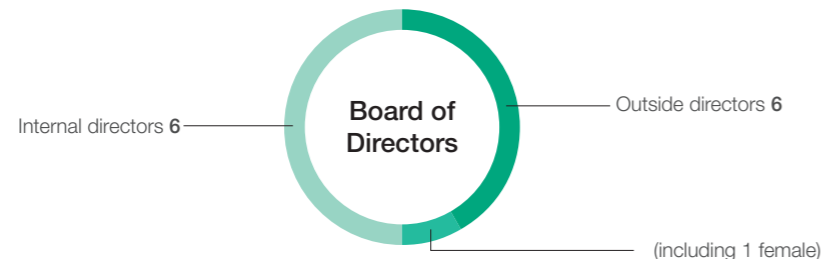
Apr. 1974 Joined The Dowa Fire and Marine Insurance Co., Ltd. (currently, Aioi Nissay Dowa Insurance Co., Ltd.)
Jun. 2003 Director, Nissay Dowa General Insurance Co., Ltd. (currently, Aioi Nissay Dowa Insurance Co., Ltd.)
Apr. 2010 Director and Vice President Executive Officer, Nissay Dowa General Insurance Co., Ltd.
Director and Executive Officer, MS&AD Insurance Group Holdings, Inc.
Oct. 2010 Director and Vice President Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd.
Jun. 2012 Representative Director and Vice President Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd.
Representative Director and Executive Officer, MS&AD Insurance Group Holdings, Inc.
Apr. 2014 Corporate Advisor, Aioi Nissay Dowa Insurance Co., Ltd.
Representative Director, MS&AD Insurance Group Holdings, Inc.
Jun. 2014 Outside Audit & Supervisory Board Member
Jun. 2016 Outside Director (an Audit & Supervisory Committee Member) (incumbent)



Nobuyoshi Yamaguchi

Outside Director (an Audit & Supervisory Committee Member)

Apr. 1977 Joined The Kyowa Bank, Ltd. (currently Resona Bank, Ltd.)
Jun. 2003 Executive Officer, Resona Bank, Ltd.
Jun. 2010 Director and Senior Managing Executive Officer, Resona Bank, Ltd.
Apr. 2013 Representative Director, Resona Card Co., Ltd.
Jun. 2014 Outside Director, NAKABAYASHI CO., LTD. (incumbent)
Apr. 2015 Senior Director, TOKYO KANTEI Co., Ltd.
Dec. 2015 Outside Director, S-K-I CORPORATION (currently Sakai Holdings Co., Ltd.) (incumbent)
Jun. 2016 Outside Director (an Audit & Supervisor Committee Member) (incumbent)



Ushio Inc. recognizes that realizing the vision set forth in its Management Philosophy, and promoting the sustainable growth of Ushio Inc. and increasing corporate value over the medium to long term, will bring satisfaction to all stakeholders. To achieve this goal, Ushio Inc. strives to ensure the transparency and efficiency of corporate management and to reinforce corporate governance to realize speedy and resolute decision-making.

Corporate Governance System

Ushio utilizes the Company with Audit & Supervisory Committee system.

This system has been fostering prompt decision-making by delegating decisions for certain important business matters from the Board of Directors to the executive directors. It has also strengthened the supervisory function of the Board of Directors by ensuring that most of its members are outside directors. The system has also been reinforcing audit & supervisory functions by having established an Audit & Supervisory Committee with the authority to assess the legality and validity of board members in performing their duties.

Furthermore, there is a Nomination and Remuneration Advisory Committee for the purpose of ensuring the fairness and appropriateness of the nominations and remuneration of directors.

The Board of Directors comprises twelve directors. Nine are not Audit & Supervisory Committee members (including four outside directors), and three are Audit & Supervisory Committee members (including two outside

directors). The Board of Directors makes decisions on top priority issues, including basic management policies, and oversees business execution. Delegating decisions on the execution of certain important operations to directors who manage these operations has accelerated decision-making. At the same time, the executive officer system has led to more accurate and prompt business execution. In addition, Ushio Inc. established the Executive Council and Group Coordination Council to discuss and report on business execution priorities.

The Audit & Supervisory Committee audits and oversees the directors' performance of duties in line with its own audit and supervising standards. Ushio Inc. appointed a Full-time Audit & Supervisory Committee member to enhance the efficacy of audits by collecting information from directors (excluding those who are also Audit & Supervisory Committee members) and employees and coordinating smoothly with the internal audit department and Accounting Auditor.

The responsibilities of the Nomination and

Remuneration Advisory Committee, as advisors to the representative directors and the Board of Directors, consist of advice and recommendations concerning the structure and level of remuneration for directors, evaluations of the contributions of individual directors to business performance, and nominations of director candidates. All the members of the Nomination and

Remuneration Advisory Committee are directors: Jiro Ushio, Koji Naito, Yoshinari Hara (outside director), Yasufumi Kanemaru (outside director), Sakie T. Fukushima (outside director) and Masanori Yoneda (outside director). The committee is chaired by Yoshinari Hara (outside director).

Audits

Audits by the Audit & Supervisory Committee

The Audit & Supervisory Committee comprises three members, including one Full-time Audit & Supervisory Committee member, and has been established to oversee the directors' performance of duties.

Internal Audits

The internal audit department performs on-site audits to check the appropriateness of operational controls and procedures. The department submits an annual audit plan to the Audit & Supervisory Committee and explains

its specific auditing policies. It also reports as necessary to the committee on the results of internal audits.

The Accounting Auditor submits an annual audit plan to the Audit & Supervisory Committee and explains its specific auditing policies. It also prepares summary reports for the quarterly and year-end reviews and accounting audits.

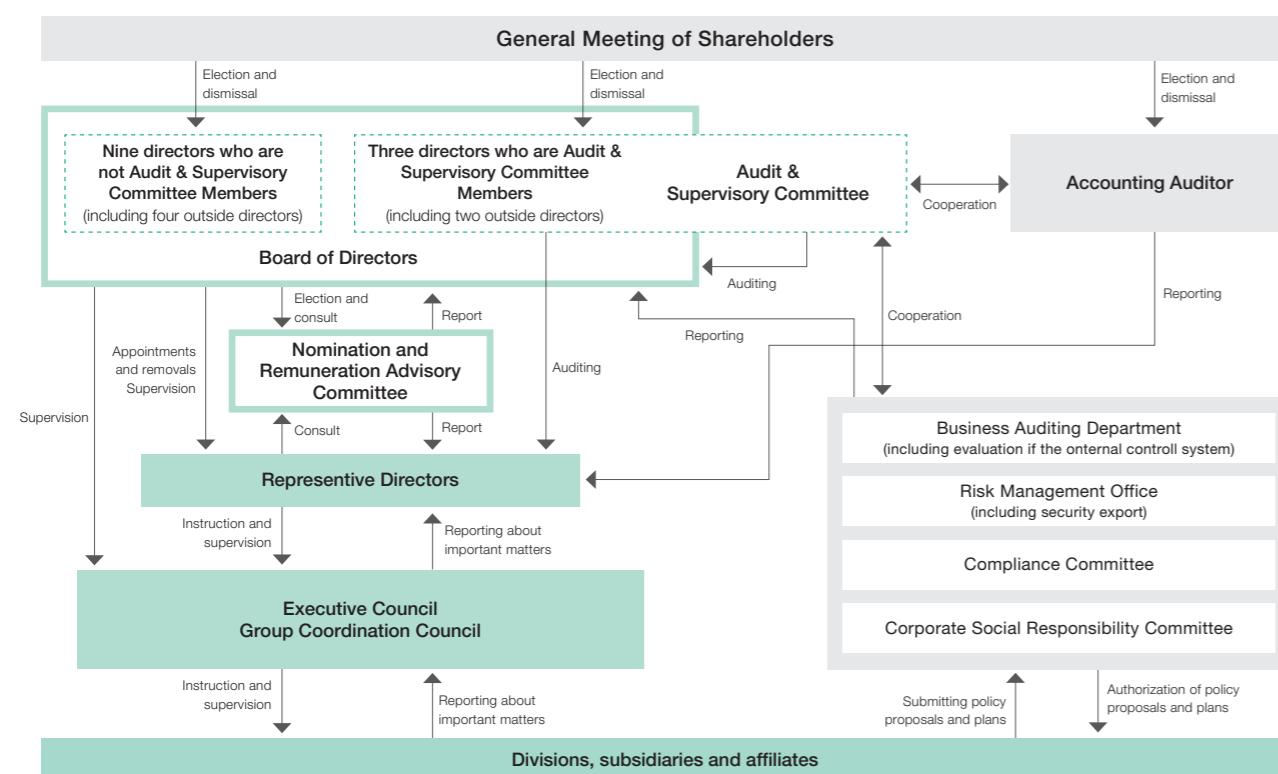
The Audit & Supervisory Committee, internal audit department and Accounting Auditor exchange information and opinions and cooperate with each other.

Evaluation of the Effectiveness of the Board of Directors

Ushio Inc. conducts questionnaires and interviews regarding individual directors concerning the composition of the Board of Directors, the status of operations, matters discussed and more, and analyzes and evaluates the effectiveness of the Board of Directors. As a result of the analysis and evaluations conducted in the fiscal year ended March 31, 2019, the Company judges that the

effectiveness of the Board of Directors has been generally secured. At the same time, Ushio Inc. will continue to reinforce discussion about improvement of management strategies, medium-term management plan, and management issues, and it has been confirmed and shared by the Board of Directors. Ushio Inc. will continue to work on these improvements.

Ushio INC.'s Internal Control Framework



Stance on Corporate Governance Code

Ushio Inc. is implementing its corporate governance in line with all the principles of the Corporate Governance Code of the Tokyo Stock Exchange.

See the "Corporate Governance Report" on the Ushio corporate website for more details.

Compliance

Ushio Inc. has established "10 Action Guidelines" to define standards for behavior that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation, and Management Philosophy. The Compliance Committee is responsible for ensuring that employees observe these guidelines. The Business Auditing Department and Compliance Committee jointly perform audits to monitor the status of compliance and submit audit reports as necessary to the Board of Directors and Audit & Supervisory Committee. Furthermore,

information involving the performance of directors' duties is recorded, stored, and managed, in documentary and electronic formats. This enables the directors and Audit & Supervisory Committee members to view the information at any time and take timely and appropriate action as required. To reinforce awareness of the importance of compliance, all Group companies use Ushio Inc.'s standards for behavior and other guidelines and the internal audit department performs audits of the Group companies.

Status of Outside Directors (as of June 27, 2019)

Name	Audit & Supervisory Committee	Independent Director	Reasons for electing as a Director	Attendance of the fiscal year ended March 31, 2019	
				Board of Directors	Audit & Supervisory Committee
Yoshinari Hara		●	Mr. Yoshinari Hara possesses a wealth of experience as a manager in a securities company and a deep knowledge of the capital markets.	8/8	-
Yasufumi Kanemaru		●	Mr. Yasufumi Kanemaru has extensive experience and profound knowledge from his career as the founder and manager of a telecommunications and IT consulting company.	8/8	-
Sakie T. Fukushima		●	Ms. Sakie T. Fukushima has acquired great insight into matters relating to human resources from a global perspective, and also has a wealth of knowledge and experience regarding international corporate management.	8/8	-
Toyonari Sasaki		●	Mr. Toyonari Sasaki has abundant experience and a deep knowledge of developments in global business such as the promotion of free trade.	-	-
Masanori Yoneda	●	●	Mr. Masanori Yoneda has a wide range of advanced insights and extensive experience obtained from his career as a manager in an insurance company.	8/8	14/14
Nobuyoshi Yamaguchi	●	●	Mr. Nobuyoshi Yamaguchi brings broad-based and high-level insights as well as extensive experience as a manager in (a) financial institution(s).	8/8	14/14

Directors' Remuneration

The remuneration for directors (excluding directors who are Audit & Supervisory Committee members or outside directors) comprises fixed monetary compensation, performance-linked monetary compensation and performance-linked stock compensation. The remuneration for outside directors and directors who are Audit & Supervisory Committee members is solely fixed monetary compensation.

Ushio Inc. has established a Nomination and Remuneration Advisory Committee whose chairperson and the majority of members are outside directors. The committee deliberates the structure and level of remuneration for directors and the evaluation of the performance of each director. The structure and level of remuneration (the structure and level of performance-linked monetary and stock compensation and fixed monetary compensation) are determined on the basis of the levels of remuneration for directors of other companies in the same industry or of the same size based on surveys conducted by external research institutions that are used for reference.

The decision on remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is made through resolutions of the Board of

Directors following deliberation by the Nomination and Remuneration Advisory Committee. The decision on remuneration for directors who are Audit & Supervisory Committee members is made through discussions among directors who are Audit & Supervisory Committee members.

Performance-linked monetary compensation is intended to provide a stronger link between each director's performance and compensation. The goal is to increase their motivation to improve business performance and increase corporate value. This compensation is determined on the basis of an evaluation of consolidated performance, divisional performance and the performance of duties for the previous fiscal year. The consolidated performance evaluation uses consolidated operating profit and profit attributable to owners of the parent as the key indicators. The divisional performance evaluation uses the operating profit of the division that each director oversees. The proportion of performance-linked monetary compensation is limited to no more than approximately 33% of total remuneration. This is paid as a fixed monthly amount during the following fiscal year along with the fixed monetary compensation.

For performance-linked stock compensation, shares of Ushio Inc. are acquired through the trust using the money, which is equivalent to the remuneration for directors, contributed by Ushio Inc. In order to increase the motivation to contribute to the growth of corporate value, shares are provided to directors based on their position and the degree of accomplishment of business

performance, etc. in the previous fiscal year. The evaluation of their degree of accomplishment of business performance is based on consolidated operating profit and ROE. The proportion of performance-linked stock compensation (converted to a monetary value at the time of the company's contribution to the trust) is limited to no more than approximately 25% of total remuneration.

Total Remuneration for Director Categories, Total Amount by Type of Remuneration, and Number of Eligible Directors

Director category	Total amount of remuneration (million ¥)	Total amount by type of remuneration (million ¥)			Number of eligible directors
		Fixed compensation (monetary compensation)	Performance-linked compensation (monetary compensation)	Performance-linked compensation (stock)	
Directors (excluding directors who are Audit & Supervisory Committee members or outside directors)	263	160	73	29	4
Directors (Audit & Supervisory Committee members) (excluding outside directors)	27	27	-	-	1
Outside directors	44	44	-	-	7

(Note 1) Performance-linked compensation (stock) is the amount recorded as expenses in the fiscal year ended March 2019 according to Japanese GAAP.

(Note 2) At the Annual General Meeting of Shareholders held on June 29, 2016, shareholders approved a resolution to limit the remunerations for directors (excluding directors who are Audit & Supervisory Committee members) to ¥540 million per year (of which the portion for outside directors is up to ¥84 million). In addition, the Articles of Incorporation limit the number of directors (excluding directors who are Audit & Supervisory Committee members) to 12.

(Note 3) At the Annual General Meeting of Shareholders held on June 29, 2016, shareholders approved a resolution to limit the remunerations for directors who are Audit & Supervisory Committee members to ¥84 million. The Articles of Incorporation limit the number of directors who are members of the Audit & Supervisory Committee to five.

(Note 4) The stock compensation system for executives was established by resolutions passed at the Annual General Meeting of Shareholders held on June 26, 2015 and the Annual General Meeting of Shareholders held on June 29, 2016. Directors (excluding directors who are Audit & Supervisory Committee members and outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding non-residents of Japan) are eligible to receive this compensation. During the three consecutive years (initially, the three fiscal years starting from the fiscal year that ends on March 31, 2016 up to the end of March 31, 2018), a maximum of ¥620 million is contributed to the stock compensation trust and the trust acquires up to 330,000 shares of the Company's stock. Eligible individuals can receive up to 110,000 points per year (one point is equivalent to one share of the Company's shares). On June 28, 2018, the Board of Directors approved a resolution to extend this plan to include the three fiscal years ending on March 31, 2021.

(Note 5) Remuneration for directors (excluding directors who are Audit & Supervisory Committee members) for the fiscal year ended March 31, 2019 is determined by the representative director. However, these remuneration decisions must reflect the discussions of the Board of Directors that, in turn, take into consideration the deliberations of the Remuneration Advisory Committee regarding the structure and level of remuneration and the evaluation of the performance of individual directors. Remuneration for directors who are Audit & Supervisory Committee members is determined by discussions among directors who are Audit & Supervisory Committee members.

(Note 6) The target indicators for evaluations related to performance-linked monetary compensation for the fiscal year ended March 31, 2019 are consolidated operating profit of ¥12.5 billion and profit attributable to owners of parent of ¥11.5 billion. The actual results were consolidated operating profit of ¥8.5 billion and profit attributable to owners of parent of ¥11.3 billion. The target indicators for performance-linked stock compensation were consolidated operating profit of ¥12.5 billion and ROE of 5.0%, and the actual results were consolidated operating profit of ¥8.5 billion and ROE of 5.3%.

Financial Data

	Mar. 2009	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Thousands of U.S. dollars*1 Mar. 2019
Earnings Data												
Net sales (millions of yen)	120,846	119,079	145,125	150,087	143,461	157,800	159,365	179,121	172,840	173,497	165,138	1,487,864
Cost of sales (millions of yen)	81,644	82,666	96,962	101,635	95,196	101,809	98,030	110,717	112,383	111,350	106,611	960,522
Gross profit (millions of yen)	39,202	36,413	48,163	48,451	48,264	55,991	61,335	68,403	60,456	62,146	58,526	527,311
Selling, general and administrative expenses (millions of yen)	30,238	29,150	34,129	37,755	40,682	43,881	50,977	55,273	51,854	51,995	50,008	450,566
Operating income (millions of yen)	8,963	7,262	14,034	10,696	7,582	12,110	10,357	13,130	8,602	10,151	8,517	76,745
Ordinary income (millions of yen)	9,991	9,290	17,362	13,112	10,539	15,904	13,708	14,633	11,001	12,050	11,439	103,068
Profit attributable to owners of parent (millions of yen)	3,481	7,071	9,577	8,748	7,155	10,770	11,279	11,105	7,042	11,001	11,326	102,045
Operating margin (%)	7.4	6.1	9.7	7.1	5.3	7.7	6.5	7.3	5.0	5.9	5.2	5.2
Ordinary margin (%)	8.3	7.8	12.0	8.7	7.3	10.1	8.6	8.2	6.4	6.9	6.9	6.9
Net margin (%)	2.9	5.9	6.6	5.8	5.0	6.8	7.1	6.2	4.1	6.3	6.9	6.9
Dividends/Per Share Data												
Net income per share (yen)	25.76	52.95	71.72	66.26	54.57	82.19	86.40	85.83	55.06	86.11	88.85	\$ 0.80
Net assets per share (yen)	1,084	1,162	1,169	1,212	1,324	1,441	1,654	1,622	1,664	1,683	1,691	\$ 15.23
Total dividends (millions of yen)	2,671	2,670	2,937	2,884	2,884	3,388	3,139	3,353	3,329	3,329	6,316	56,915
Dividends per share (yen)	20.0	20.0	22.0	22.0	22.0	26.0	24.0	26.0	26.0	26.0	50.0	\$ 0.45
Payout ratio(%)	77.7	37.8	30.7	33.2	40.3	31.6	27.8	30.3	47.2	30.2	56.3	56.3
Ratio of dividends to net asset(%)	1.8	1.8	1.9	1.8	1.7	1.9	1.5	1.6	1.6	1.6	3.0	3.0
Balance Sheet Data												
Total assets (millions of yen)	184,401	202,119	217,292	224,412	228,657	255,338	294,542	294,525	308,430	305,303	306,628	2,762,666
Current assets (millions of yen)	102,706	112,722	130,730	143,120	140,646	153,004	178,774	170,173	180,334	184,940	200,119	1,803,037
Property, plant and equipment, net (millions of yen)	36,850	36,151	36,457	37,827	36,776	39,126	40,014	42,310	44,809	41,578	43,050	387,880
Investments and other assets (millions of yen)	42,303	50,217	47,064	39,564	48,371	59,048	68,655	71,256	74,062	72,473	58,815	529,918
Current liabilities (millions of yen)	26,744	32,035	41,458	40,634	37,950	39,957	44,886	49,463	54,592	54,174	69,572	626,837
Interest-bearing debt (millions of yen)	11,122	9,122	12,283	12,864	9,427	8,258	14,063	14,512	27,771	26,823	28,938	260,738
Net assets (millions of yen)	145,774	156,685	157,867	162,048	176,784	191,246	218,723	211,296	213,289	215,306	213,254	1,921,388
Shareholders' equity (millions of yen)	144,250	148,643	155,544	158,341	162,609	169,482	178,891	183,057	185,658	193,332	199,408	1,796,634
Total assets turnover ratio (times)	0.60	0.62	0.69	0.68	0.63	0.65	0.57	0.61	0.57	0.57	0.54	0.54
Current ratio (%)	384.0	351.9	315.3	352.2	370.6	382.9	398.3	344.0	330.3	341.4	287.6	287.6
Equity ratio (%)	78.5	76.8	71.9	70.8	75.9	73.5	73.3	70.9	68.9	70.4	69.5	69.5
ROE (%)	2.3	4.7	6.2	5.6	4.3	6.0	5.6	5.2	3.3	5.1	5.3	5.3
ROA (%)	1.7	3.7	4.6	3.9	3.2	4.4	4.0	3.8	2.3	3.6	3.7	3.7
Interest coverage ratio (times)	31.7	77.1	39.3	61.1	68.5	48.7	51.0	48.1	41.9	26.5	15.1	15.1
D/E ratio (%)	7.7	6.1	7.9	8.1	5.8	4.9	7.9	7.9	15.0	13.9	14.5	14.5
Fixed assets to long-term capital ratio (%)	52.3	55.2	49.9	45.1	49.9	52.9	55.2	57.4	56.6	52.5	47.7	47.7
Cash Flow Data												
Cash flows from operating activities (millions of yen)	11,873	18,999	8,390	12,382	14,443	10,622	9,876	12,031	12,624	15,567	8,853	79,772
Depreciation and amortization (millions of yen)	6,280	6,219	6,476	7,139	6,741	5,021	5,919	6,495	6,587	6,790	6,775	61,050
Cash flows from investing activities (millions of yen)	(3,194)	(12,714)	(1,679)	1,911	(8,649)	(4,476)	(3,710)	(10,367)	(15,254)	4,322	2,719	24,503
Cash flows from financing activities (millions of yen)	(7,588)	(4,760)	1,081	(7,615)	(7,092)	(6,670)	1,210	(7,849)	6,864	(3,613)	(3,916)	(35,290)
Free cash flow (millions of yen)	8,679	6,285	6,711	14,293	5,794	6,146	6,166	1,664	(2,630)	19,889	11,572	104,275
Net increase (decrease) in cash and cash equivalents (millions of yen)	(371)	1,265	6,359	6,630	1,676	2,080	11,646	(9,176)	3,161	15,061	8,586	77,366
Cash and cash equivalents at end of year (millions of yen)	27,329	28,595	34,954	41,585	43,261	45,342	56,989	47,813	50,974	66,035	74,622	672,333
Debt repayment ratio (years)	0.9	0.5	1.5	1.0	0.7	0.8	1.4	1.2	2.2	1.7	3.3	3.3
Depreciation to sales ratio (%)	5.2	5.2	4.5	4.8	4.7	3.2	3.7	3.6	3.8	3.9	4.1	4.1

Note: *1 U.S. dollar amounts are calculated, for convenience only, at the foreign exchange rate on March 31, 2019 of ¥110.99 to the U.S.\$1.

Non-financial Data

		Mar. 2015	Mar. 2016	Mar.2017	Mar.2018	Mar. 2019	
Energy (GJ)	Japan	415,928	456,607	483,208	486,231	473,730	
	Asia (excluding Japan)	131,039	133,406	144,971	153,004	164,628	
	North america	110,142	113,337	108,441	104,934	104,616	
	Europe	30,521	33,383	35,210	45,066	38,901	
	Total	687,630	736,733	771,830	789,235	781,875	
Water (m³)	Japan	179,398	168,338	188,505	224,145	226,099	
	Asia (excluding Japan)	115,291	119,249	150,493	139,628	118,373	
	North america	29,440	27,656	28,132	24,667	24,155	
	Europe	4,229	5,883	5,675	6,251	5,463	
	Total	328,358	321,126	372,805	394,691	374,091	
Total waste output (t)	Japan	520	865	679	637	697	
	Asia (excluding Japan)	127	158	164	125	195	
	North america	457	438	444	396	334	
	Europe	46	62	46	69	87	
	Total	1,150	1,522	1,333	1,227	1,313	
GHG (CO ₂) emissions (t-CO ₂)	SCOPE1	Japan	1,851	2,429	2,675	2,884	2,579
		Asia (excluding Japan)	363	363	306	303	435
		North america	499	434	441	566	625
		Europe	314	317	380	375	336
		Total	3,027	3,543	3,802	4,128	3,975
	SCOPE2	Japan	18,372	22,250	22,715	22,429	20,135
		Asia (excluding Japan)	7,696	7,574	8,281	8,803	9,202
		North america	1,919	2,943	2,845	2,593	2,579
		Europe	935	1,308	1,337	1,947	1,638
	Total	28,922	34,075	35,178	35,772	33,554	
	SCOPE3	Consolidated	1,521,467	994,618	1,509,281	1,346,960	1,337,912
	Number of employees	Japan	2,460	2,596	2,572	2,463	2,480
		Asia (excluding Japan)	1,066	1,127	1,213	1,368	1,383
North america		1,758	1,886	1,882	1,791	1,607	
Europe		256	277	296	225	233	
Total		5,540	5,886	5,963	5,847	5,703	
Three-year retention rate for new graduate recruits (%)	Non-consolidated	Male	97	96	100	95	83
		Female	100	88	100	83	100
Average length of service (years)	Non-consolidated	Male	16.1	16.7	17.5	17.9	18.8
		Female	16.9	17.8	18.7	19.2	20.0
Statutory monthly overtime hours (hours/employee)	Non-consolidated	13.5	15.2	12.0	12.3	10.6	
Percentage of paid vacation days used (%)	Non-consolidated	68.3	72.8	74.0	71.1	72.8	
Number of maternity leaves taken	Non-consolidated	28	19	22	27	21	
Number of childcare leaves taken	Non-consolidated	Male	3	5	6	3	10
		Female	25	22	22	27	21
Number of nursing care leaves taken	Non-consolidated	0	0	0	2	0	
Ratio of employees returning to work after taking maternity and childcare leaves (%)	Non-consolidated	100	100	95.50	100	100	
Frequency of work-related accidents (%) (Number of work-related injuries or deaths ÷ Total number of work hours x 1 million)	Non-consolidated	0.00	0.26	0.00	0.00	0.61	
Severity of work-related accidents (%) (Number of lost work days ÷ Total number of work hours x 1,000)	Non-consolidated	0.00	0.00	0.00	0.00	0.02	
Number of patents held	Non-consolidated	1,339	1,425	1,514	1,532	1,454	
Number of directots	Non-consolidated	11	11	12	12	10	
Number of outside directots	Non-consolidated	2	3	7(Female 1)	7(Female 1)	5(Female 1)	

Notes:

- The scope of aggregation for energy consumed, water used, total waste output, Scope 1, and Scope 2 is the scope of consolidated environmental management formulated by Ushio Inc..For details, please see the "Environmental Data" section of Ushio Inc.'s corporate website. <https://www.ushio.co.jp/en/csr/eco/ecodata.html>
- The scope of aggregation for Scope 3 differs by category. For details, please see the "Global Warming Mitigation" section of Ushio Inc.'s corporate website. <https://www.ushio.co.jp/en/csr/eco/effect.html>
- The electric power to CO₂ conversion factor uses the following: In Japan: Applied separately for each electricity provider based on actual results in FY16; Overseas: "CO₂ Emissions from Fuel Combustion 2013" by the International Energy Agency (IEA)
- No greenhouse gases other than CO₂ were emitted.
- The three-year retention rate for new graduate recruits represents the number of employees who reach their third year with the Company in April of the relevant fiscal year. (Example: Data in the column for FY14 is based on the number of employees as of April 2014 who had joined the Company in 2011.)

Consistency with International Initiatives

			Relevant content in this booklet	Page	
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	G4-14~16	CSR	CSR Management/Consistency with International Initiatives	36, 55	
	G4-17~23	Identified Material Aspects and Boundaries	Value Creation Mode/CSR Management/Human Resource Management	18, 36, 42	
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	G4-EC5~EC6	Economic	Market Presence	17	
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	G4-EC9	Procurement Practices			
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	G4-EN30	Environment	Transport		
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	G4-EN32~EN33	Supplier Environmental Assessment			
	G4-EN34	Environmental Grievance Mechanisms			
	G4-LA1~LA16	Labor Practices and Decent Work	Human Resources Management	42	
	G4-HR1~HR12	Social	Human Rights	39	
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ISO26000	Organizational governance	Issue 1	Organizational governance	Corporate Governance	48
	Human rights	Issue 1~8	Due diligence and other issues	CSR Management Human Resources Management	38 42
	Labour practices	Issue 1~5	Employment and employment relationships and other issues	Local community Human Resources Management	41 42
	The Environment	Issue 1~4	Prevention of pollution and other issues	Financial and Non-financial Highlights/ Non-financial data	4, 54
	Fair operating practices	Issue 1~5	Anti-corruption and other issues	10 Action Guidelines as a Member of Society	36
	Consumer issues	Issue 1~7	Fair marketing, factual and unbiased information, fair contractual practices and other issues	10 Action Guidelines as a Member of Society	36
	Community involvement and development	Issue 1~7	Community involvement and other issues	Community Activities	41
	Human Rights	Issue 1	Businesses should support and respect the protection of proclaimed human rights; and make sure that they are not complicit in human rights abuses.	10 Action Guidelines as a Member of Society / Human Rights	36, 39
	Labor Standards	Issue 3	Businesses should uphold the freedom of association and the effective recognition of the rights to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.	10 Action Guidelines as a Member of Society	36
	Environment	Issue 7 Issue 8 Issue 9	Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.	10 Action Guidelines as a Member of Society	36
Anti-Corruption	Issue 10	Businesses should work against corruption in all its forms, including extortion and bribery.	10 Action Guidelines as a Member of Society	36	

Stock Information

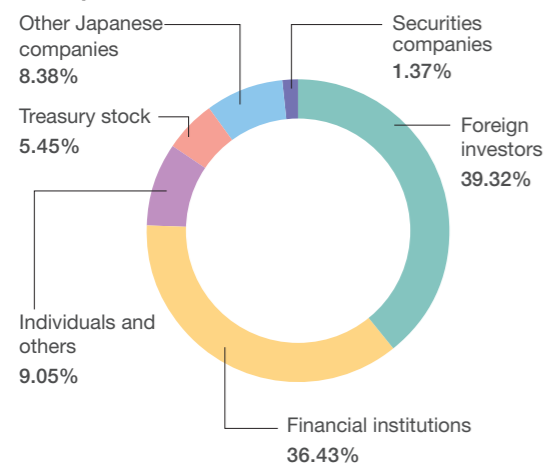
Total number of shares issued	133,628,721
Number of shareholders	10,718

Major Ten Shareholders

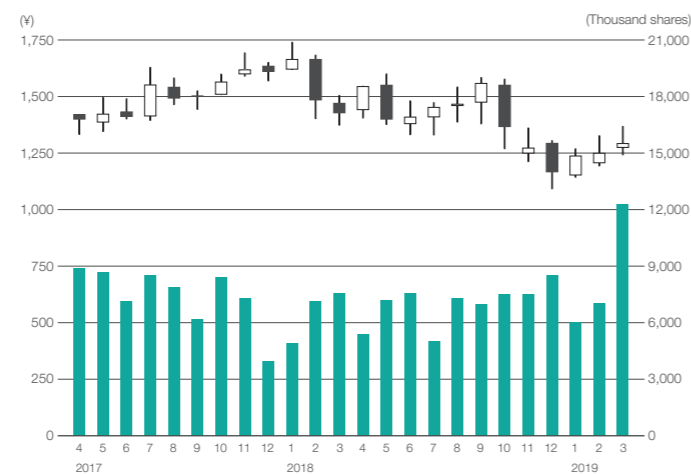
Name	Number of shares (1,000 shares)	Shareholding ratio(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,658	8.43
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	6,798	5.38
Resona Bank, Limited	6,319	5.00
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,726	4.53
Japan Trustee Services Bank, Ltd. (Trust Account)	5,058	4.00
Aioi Nissay Dowa Insurance Co., Ltd.	4,274	3.38
MUFG Bank, Ltd.	4,248	3.36
Asahi Mutual Life Insurance Co.	3,305	2.61
Jiro Ushio	2,636	2.08
STATE STREET BANK AND TRUST COMPANY 505001	2,583	2.04

*In addition to the above, Ushio Inc. owns 7,288 thousand shares of treasury stock. These 7,288 thousand shares of treasury stock do not include 352 thousand shares of Ushio Inc.'s stock held in a trust account in connection with a stock remuneration plan for executives.

Composition of Shareholders



Stock Price Movement and Stock Turnover



Corporate Data

Established	March 1964
Capital	¥19,556,326,316
Listed	Tokyo Stock Exchange First Section
Fiscal year	From April 1 to March 31
Ordinary general shareholders' meeting	Every June
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Divisions and Major Group Companies

Parent company	Head Office	Chiyoda, Tokyo
	Harima Division	Himeji, Hyogo Prefecture
	Gotemba Division	Gotemba, Shizuoka Prefecture
	Yokohama Division	Yokohama, Kanagawa Prefecture
	Osaka Branch	Osaka, Osaka Prefecture
	Kawasaki Bio Lab	Kawasaki, Kanagawa Prefecture
Japanese subsidiaries	USHIO LIGHTING, INC.	
	XEBEX INC.	
	ADTEC Engineering Co., Ltd.	
	USHIO OPTO SEMICONDUCTORS, INC.	7 other companies
Overseas subsidiaries	North America	USHIO AMERICA, INC.
		CHRISTIE DIGITAL SYSTEMS USA, INC.
		CHRISTIE DIGITAL SYSTEMS CANADA INC.
	Europe	USHIO EUROPE B.V.
		BLV Licht-und Vakuumtechnik GmbH
	Asia	USHIO HONG KONG LTD.
		USHIO TAIWAN, INC.
		USHIO PHILIPPINES, INC.
		USHIO (SUZHOU) CO., LTD.
		USHIO ASIA PACIFIC PTE. LTD.
		USHIO KOREA, INC.
		USHIO SHANGHAI, INC.
USHIO SHENZHEN, INC.	14 other companies	

Disclaimer

The plans, strategies, and other statements related to the outlook for future results in this Ushio 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.

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