

# Medium-Term Management Plan

(Announced on May 11, 2015)

The logo for Ushio Inc., featuring the word "USHIO" in a bold, white, sans-serif font. The logo is positioned on a solid green rectangular background that occupies the right side of the slide.

USHIO INC.

**This report contains forward-looking statements, including earnings forecasts, which are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Please be advised that actual results may differ substantially from those forward-looking statements due to various factors.**

**\* All figures in the material have been rounded down to the nearest billion yen.**

## Targets for FY2017 (ending March 2018)

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**ROE Above 8%**

Net Sales ¥220 billion

Operating Income ¥18 billion

Operating Income Ratio 8.2%

(FY2019 Target: ROE of 10%)

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(Companywide operating income/operating income ratio/ROE)
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# 1. Background to Medium-term Management Plan

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## Issues

- (1) Declining return on development investment
- (2) Lack of new growth drivers



## Current Status

Declining profitability  
(ROE < market expectations, PBR below 1)

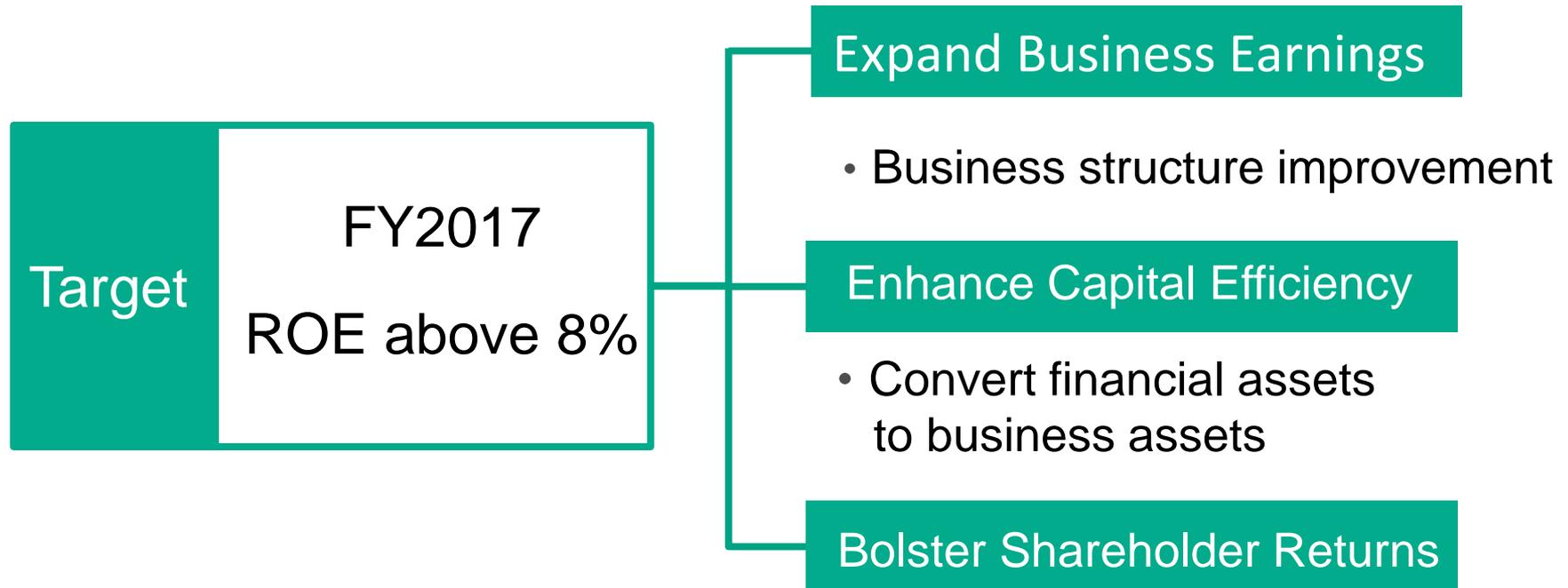


## Plan

ROE-focused management  
(Target: ROE above 8% in FY2017)

## 2. Overview of Medium-term Management Plan

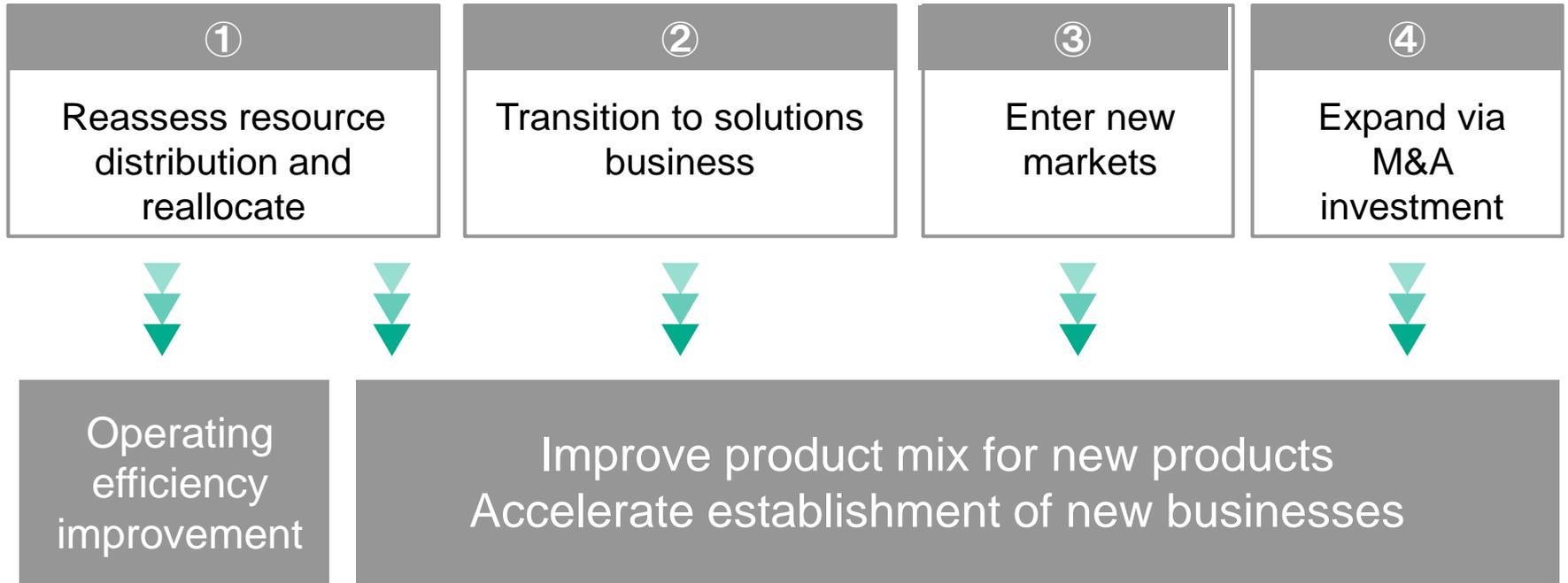
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## 2. Overview of Medium-term Management Plan

### a. Business Structure Improvement

#### Business Structure Improvement



Expand Business Earnings

## 2. Overview of Medium-term Management Plan

### b. Convert Financial Assets to Business Assets

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Issue

Growth in financial assets to account for roughly half of total assets is one factor in worsening capital efficiency and weak ROE



Accelerate Conversion of  
Financial Assets to Business Assets



Enhance Capital Efficiency

Future

Make a break from reliance on revenue from financial assets, maintaining stable ROE through true business profit.

## 2. Overview of Medium-term Management Plan

### c. Bolster Shareholder Returns

#### Bolster Shareholder Return

①

Continue  
stable dividend  
payout policy

②

Buy Own Shares  
Buy more proactively,  
flexibly

5/11

Announcement of  
purchase of treasury  
shares  
¥2 billion, 1.2 million  
shares

5/11

Introduction of stock-  
based compensation  
system for directors

### 3. Medium-term Management Plan by Business Segment

#### a. Net sales by sub-segment (Companywide operating income/operating income ratio/ROE)

Segment	Sub-segment	Current FY	Year 1	Year 3	3-Year Change (FY17-FY14)		CAGR
		FY14	FY15	FY17	(¥ billion)	(%)	(%)
		(Actual)	(Plan)	(Plan)			
Equipment	Imaging equipment	60.3	75.0	93.0	32.7	54	16
	Optical equipment	21.2	24.5	36.0	14.8	70	19
	Illumination and related facilities	2.3	2.0	3.0	0.7	30	9
	Sub-total	84.0	101.5	132.0	48.0	57	16
Light Sources	Discharge lamps (incl. solid-state light sources)	57.6	62.0	70.0	12.4	22	7
	Halogen lamps	14.2	14.0	15.0	0.8	6	2
	Sub-total	71.9	76.0	85.0	13.1	18	6
Other	Machinery for industrial use and other	3.3	2.5	3.0	▲0.3	▲9	-
<b>Total</b>		<b>159.3</b>	<b>180.0</b>	<b>220.0</b>	<b>60.7</b>	<b>38</b>	<b>11</b>
Corporate	Operating income (¥ billion)	10.3	13.0	18.0	7.6	74	20
	Operating income ratio (%)	6.5	7.2	8.2	1.7p	-	-
	ROE (%)	5.6	5.7	Above 8%	2.4p	-	-

Assumed exchange rate: US \$1=¥120 1 EURO=¥138

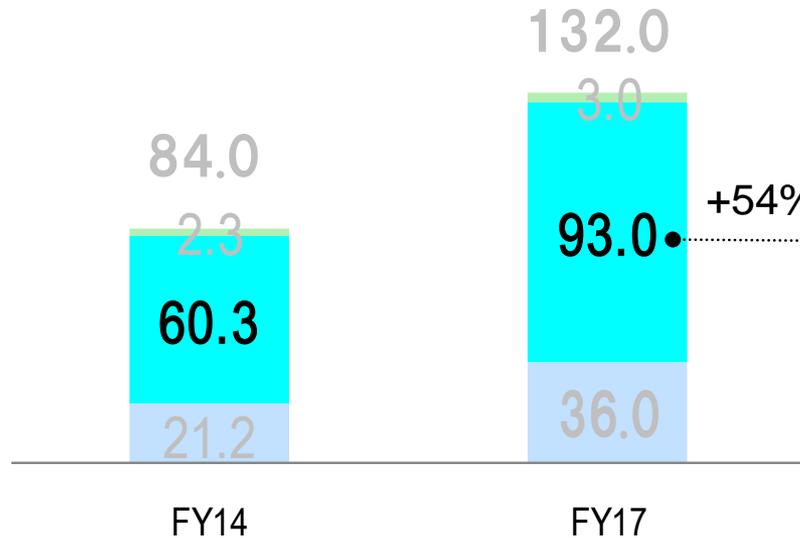
### 3. Medium-term Management Plan by Business Segment

#### b. Equipment b-1. Imaging Equipment

## Expansion of Total Solutions Business

Targets

FY2017



Net Sales

¥93.0 billion (+54%)

Operating Income Ratio

Above 5%

(Equipment Business Overall)

General Imaging

Aim for 10% annual growth rate

Increase investment opportunities in growth fields  
Further global business development

Cinema

From maintain profitability to new growth leap

Expand solutions business  
Firmly capture new demand

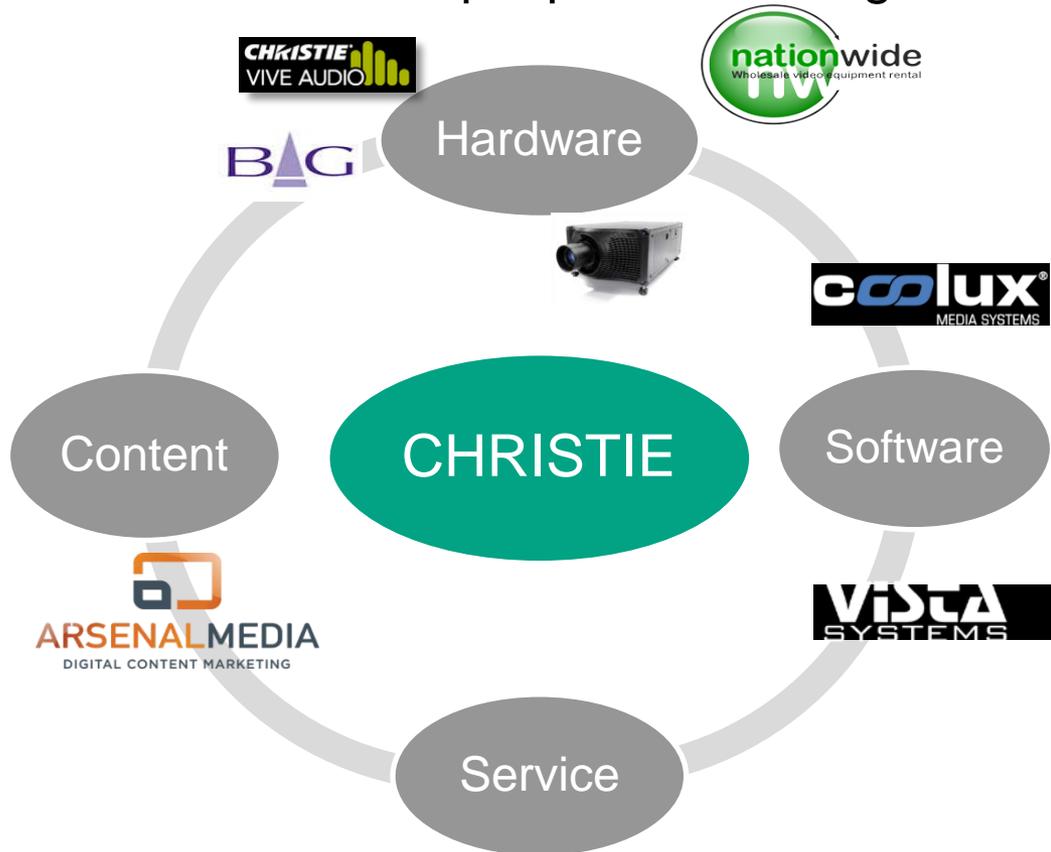
Measures

# 3. Medium-term Management Plan by Business Segment

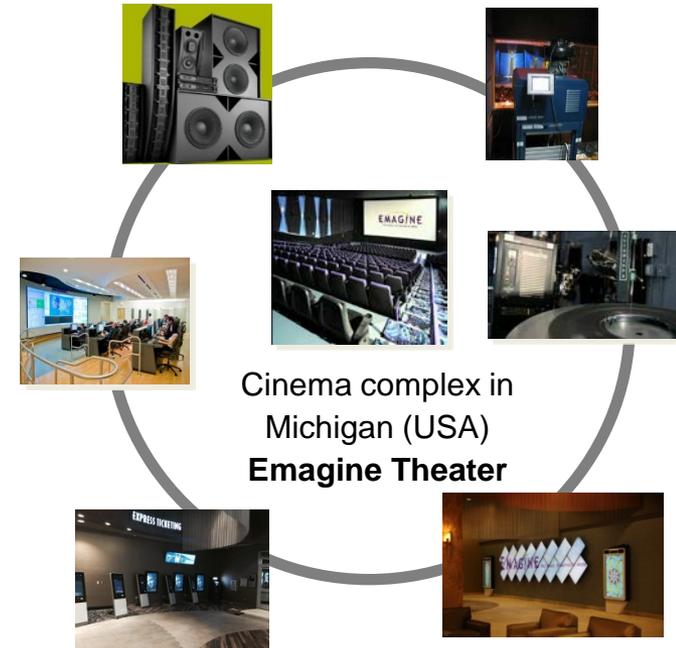
## b. Equipment b-1. Imaging Equipment

### Total Solutions Encompassing the Imaging Business

Christie Group Operations Diagram



Examples



Cinema complex in Michigan (USA)  
Emagine Theater

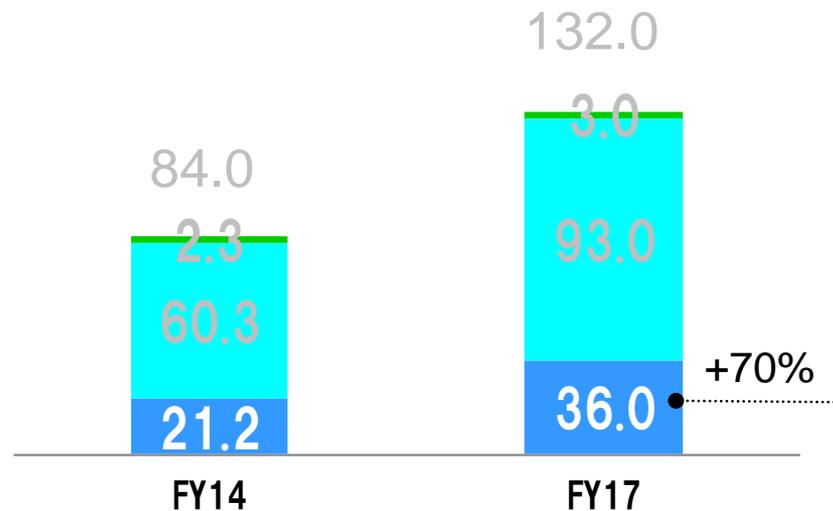
### 3. Medium-term Management Plan by Business Segment

#### b. Equipment b-2. Optical Equipment

Target

FY2017

## Structural Reform Aimed at Normalizing Profitability



Net Sales

¥36.0 billion (+70%)

Operating Income Ratio

Above 5%  
(Equipment Business Overall)

Measures

Revise Group Strategy  
(Strengthen relationship with ADTEC Engineering)

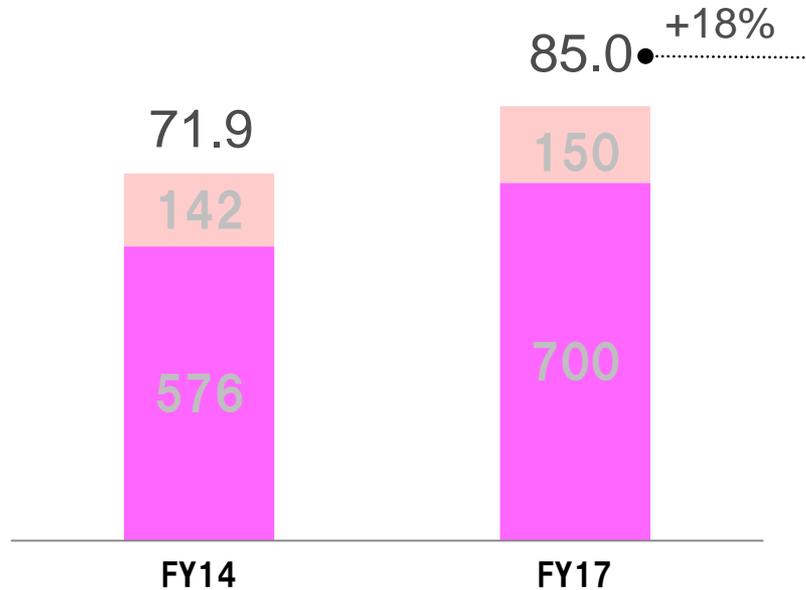
### 3. Medium-term Management Plan by Business Segment

#### c. Light Sources

## Targets

FY2017

## Sustainable Growth and Staying Profitable



Net Sales

¥85.0 billion (18%)

Operating Income Ratio

Keep above 15%

## Measures

### Develop Solutions Business

- ▶ New fields...Aggressively enter growth markets
- ▶ Existing fields...Maintain share

# 3. Medium-term Management Plan by Business Segment

## c. Light Sources

### Key “Growth Markets” for Light Sources Business

#### Life Sciences Field

Environment, healthcare, energy, others  
(Measurement and analysis, plant cultivation, water treatment, space treatment, etc.)

##### Example 1 Water Treatment



Aim: Eliminate waterborne microorganisms and pathogens using UV light, purifying of pollutants

Effect: Water reuse, maintain environment

Water sterilization at beverage plants

##### Example 3 Sensor light absorbency

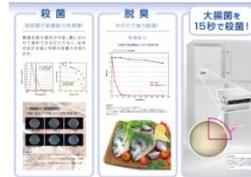


Aim: Measure pathogens and pollutants in or on specified items

Effect: Verify sanitation and safety

Light absorption sensor (PAS)/Laser-based light induced fluorescence (LIF) sensor

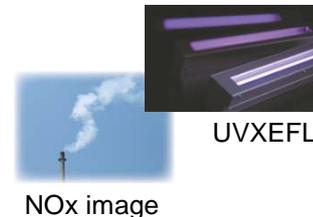
##### Example 2 Food Sterilization



Aim: Eliminate microorganisms and pathogens in food using UV light

Effect: Maintain food safety

##### Example 4 NOx and Odor Removal



Aim: Remove NOx and odors from spaces

Effect: NOx and odor elimination

#### Automotive Field

Head-up displays, heating applications, others



Head-up display

### 3. Medium-term Management Plan by Business Segment

#### d. Biomedical

## Policy

Continued Needed Investment to Groom into Third Core Business

- Expand sales of existing products
- Promote M&A
- Improve development investment efficiency
- Revise Group strategy

## Measures



TheraBeam UV308



Point Reader



TheraBeam® SuperOsseo



VeinViewer

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