

Medium-Term Management Plan

(Announced on May 11,2017)

The logo for Ushio Inc., consisting of the word "USHIO" in a bold, white, sans-serif font, centered on a dark teal background.

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.**

Review of Previous Medium-Term Management Plan (Rolling Targets; for FY16 to FY18)

May 2016 announcement

Transformation into a Highly Profitable Company

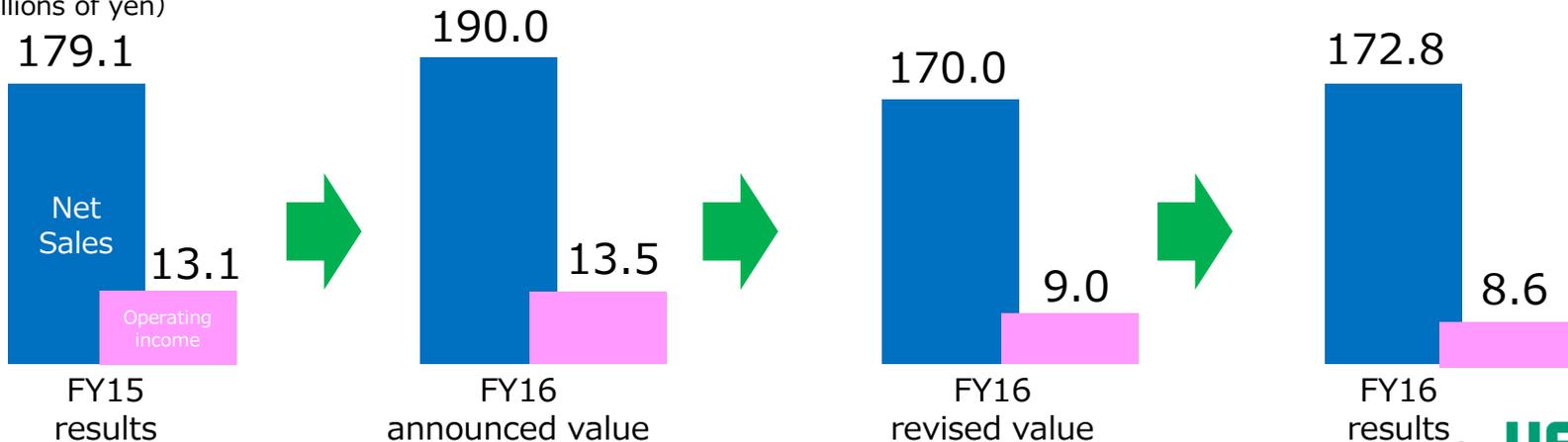
FY2018 targets: Operating Income ¥20 billion (margin: 8.7%), Net Sales ¥230 billion

Basic policies: Maintain and improve profitability in existing businesses, pursue new growth opportunities

July	Lowered full-year forecasts with 1Q results	Reduced personnel at Christie (about 100 people)
Oct.	Withdrew from numerical targets in previous medium-term plan	–
Dec.	–	Early retirement offered to about 100 employees at USHIO

Focused on cost reductions in previous fiscal year

(Billions of yen)



Review of Previous Medium-Term Management Plan (Rolling Targets; for FY16 to FY18)

Assessment of Key Measures:

Still a work in progress with the exception of personnel reductions and other cost reductions

Maintain and Improve Earning Capability in Existing Businesses	Structural reform in the optical equipment business	Some progress made with standardization, but transfer of production halted in order to align with market environment
	Increase cost competitiveness in Light Sources and Equipment businesses	Costs reduced through personal cuts at USHIO and Christie
Pursue New Growth Opportunities	Expand existing products in new fields	New products did not contribute much to results, still reliant on existing businesses
	Full-scale expansion of the solutions businesses	Orders on the rise, but limited contributions to sales and profits
	Expand M&A investment focused on synergies	Multiple deals being examined, only a few deals have gone through

*** Improve corporate governance structure**

- External directors for a majority of directors
- Transition to a Company with Audit and Supervisory Committee

More discussion of medium-term plans at Board of Directors meetings

Continue aforementioned key measures in next medium-term plan with the aim of taking a leap

Overview of New Medium-term Plan (Fixed Targets; FY17~FY19)

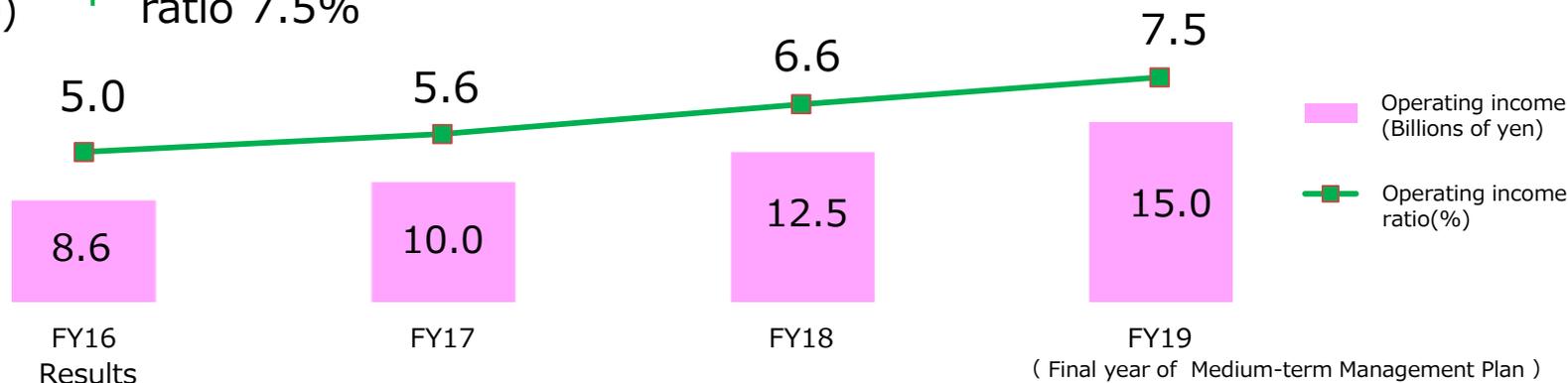
Solidify the foundation to make the next leap forward

Business Priorities

1. Maintain profitability and improve existing businesses
 - Secure profits and maintain market share by strengthening competitiveness in existing markets
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

Numerical Targets (FY19)

Key performance indicators (KPI)
Operating income ¥15 billion, operating margin ratio 7.5%



* Beginning with the new medium-term plan, switch from rolling targets to fixed three-year targets

Overview of New Medium-term Plan (Fixed Targets; FY17~FY19)

Key Performance Indicator (KPI)

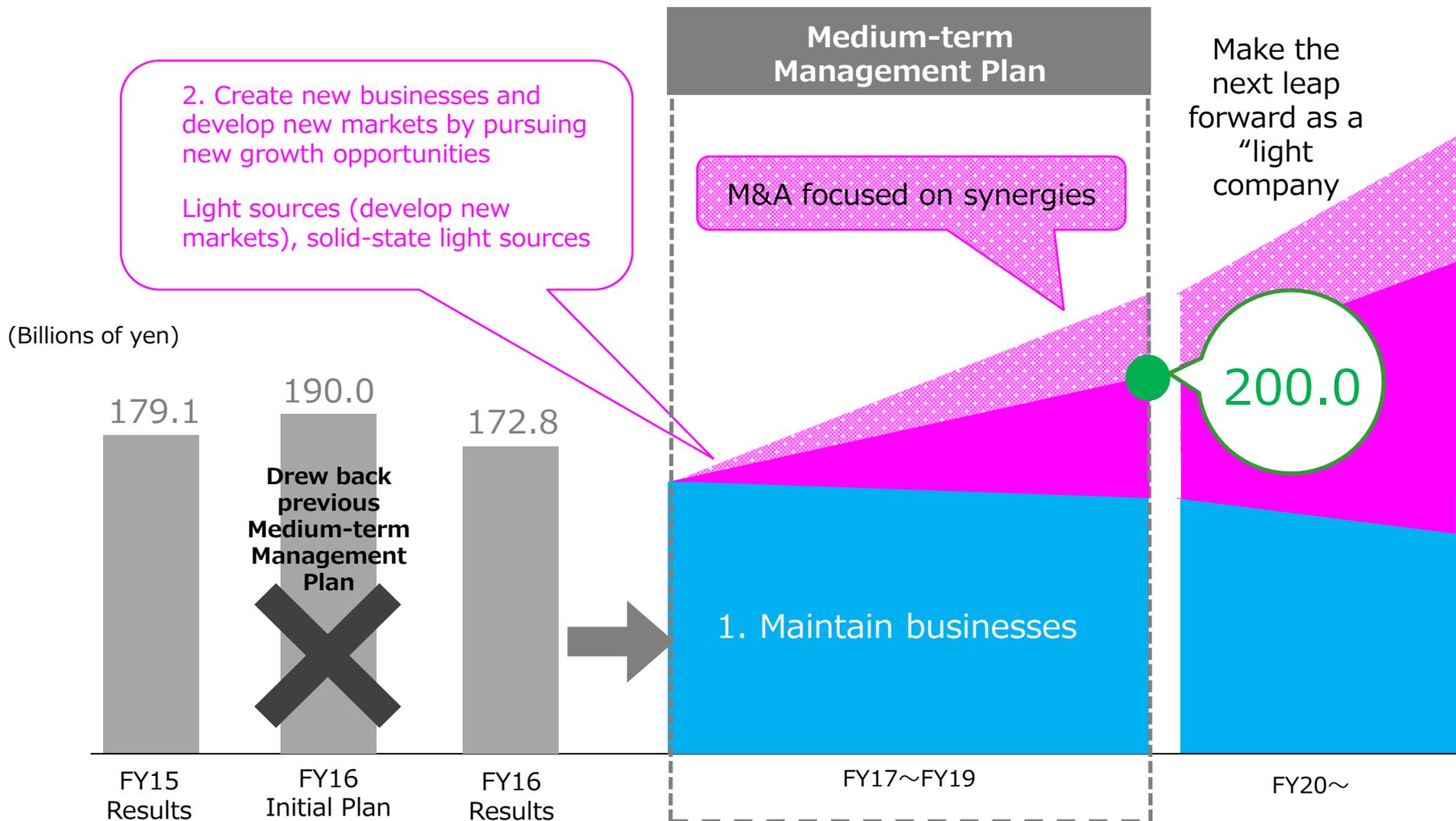
	FY16 Forecast	FY17 (First year of MTMP)	FY18 (Second year of MTMP)	FY19 (Final year of MTMP)	Average annual growth rate (3 years of MTMP)
Operating income (billion of yen)	8.6	10.0	12.5	15.0	20.4%
Operating income ratio(%)	5.0	5.6	6.6	7.5	—

※Reference values

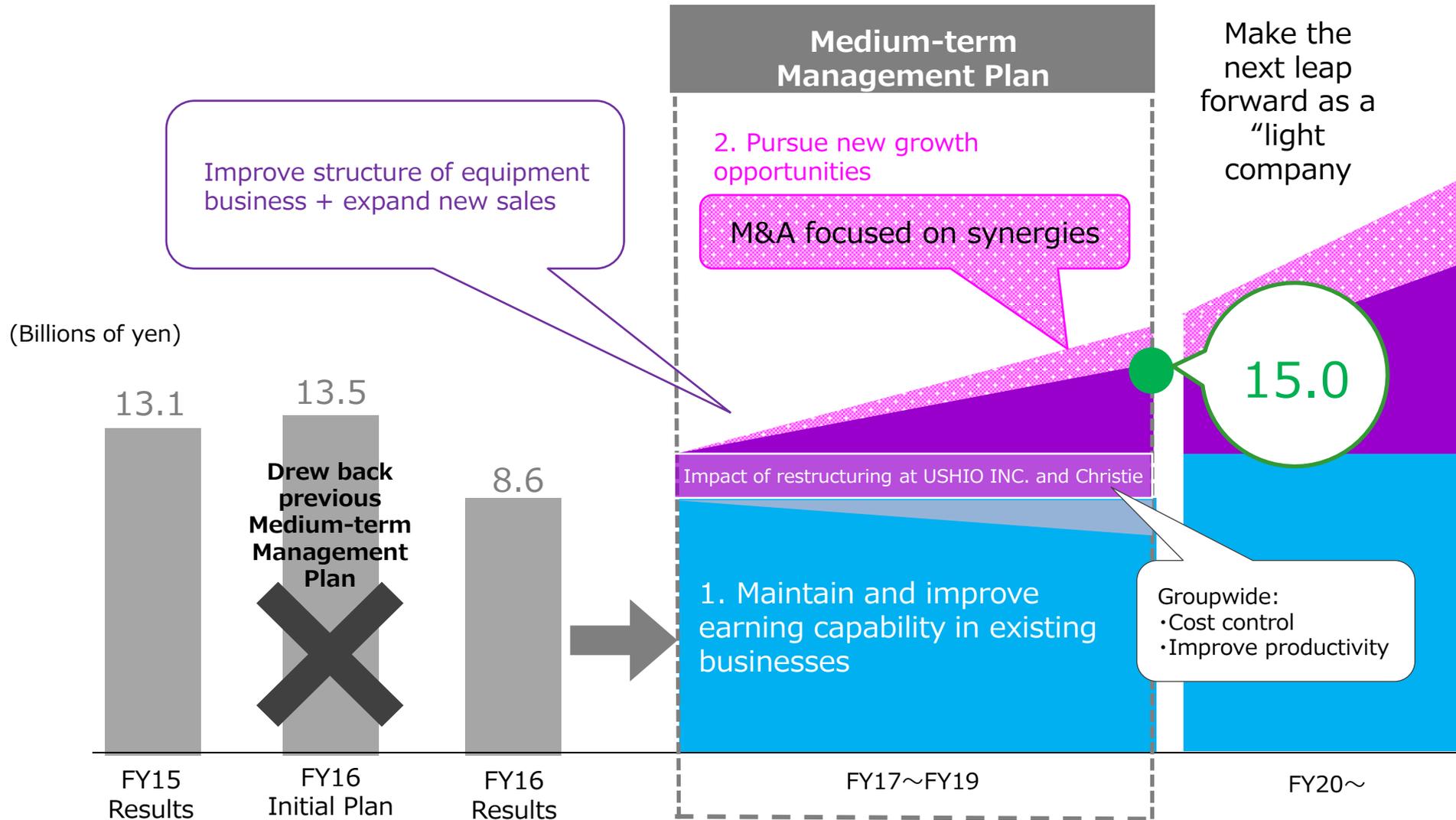
	FY16 Forecast	FY17 (First year of MTMP)	FY18 (Second year of MTMP)	FY19 (Final year of MTMP)	Average annual growth rate (3 years of MTMP)
Net Sales (Billions of yen)	172.8	180.0	190.0	200.0	5.0%
ROE(%)	3.3	5.1※	4.2	5.0 or more	—
Operating income before goodwill amortization, etc. (Billions of yen)	10.2	11.8	14.2	16.2	16.8%
Operating income ratio before goodwill amortization, etc ratio(%)	5.9	6.5	7.5	8.1	—

※With special factors (special benefits)

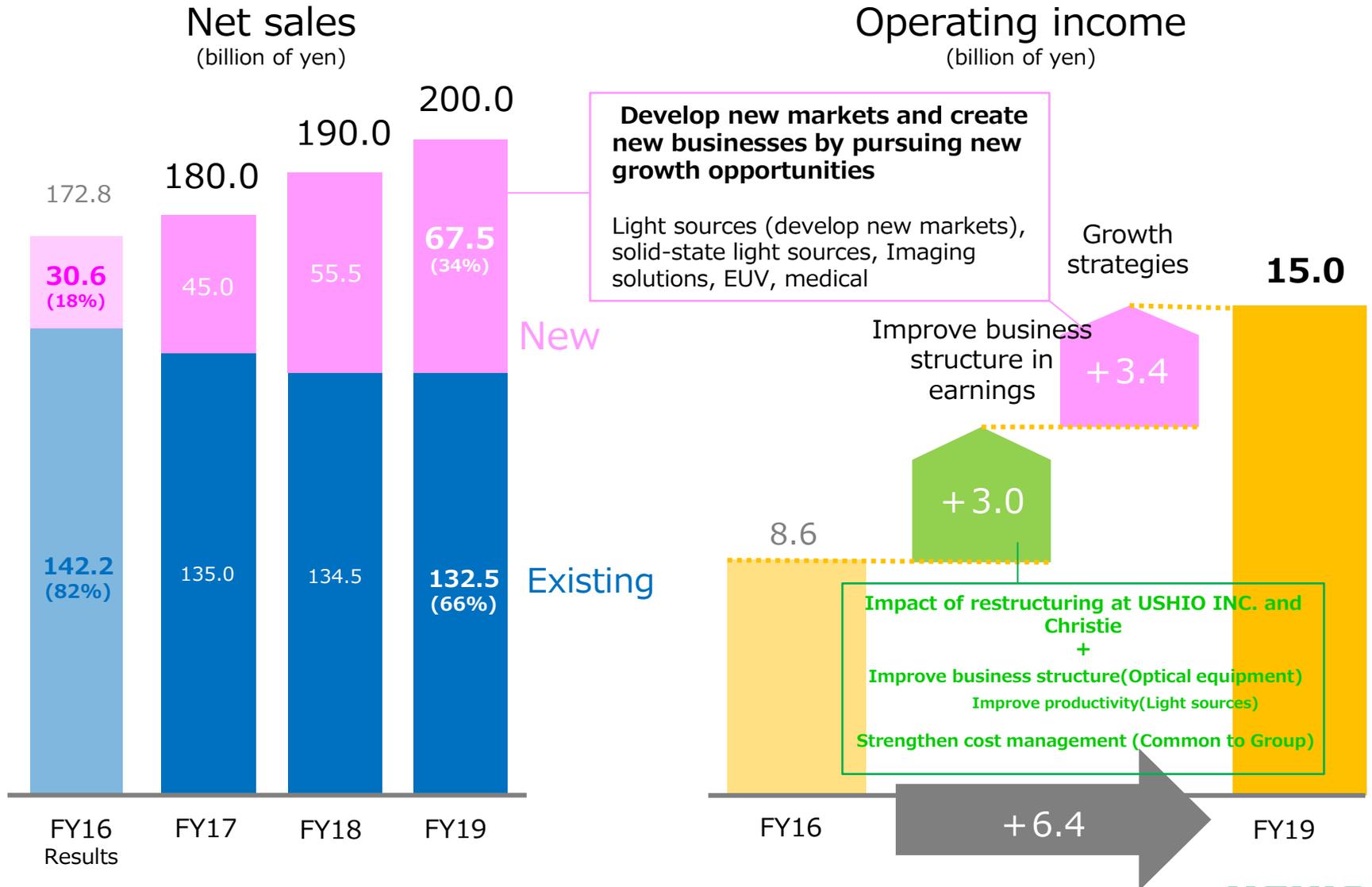
Final year of New Medium-term Management Plan (FY19) Business Growth Image (Net Sales)



Final year of New Medium-term Management Plan (FY19) Business Growth Image (Operating Income)



Net Sales and Operating Income in New Medium-term Plan (FY17-FY19)



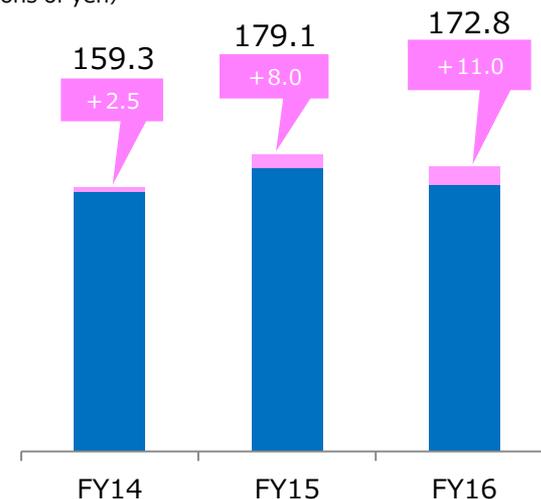
Expand M&A investment focused on synergies

Consider and execute M&A targeting 4 priority areas below as

Light Sources Business	A. Lamp (Development of new markets)
	B. Solid state light sources
Equipment Business	C. Optical equipment (Medical)
	D. Imaging equipment (Total solution)

(Billions of yen)

Contribution of M&A to Net Sales



Past M&A deals (FY14~FY16)

	Name of acquisition target company	Area	Business outline or purpose of M&A
May 2014	Arsenal Media	D Imaging total solution	Digital content production
Oct. 2014	Oclaro Japan, Inc. (demerger of business)	B Solid state light sources	Acquisition of semiconductor device technology
Dec. 2014	BG Radia	D Imaging total solution	Audio system
Jan. 2015	coolux GmbH	D Imaging total solution	Imaging processor
Apr. 2015	MAXRAY INC.	B Solid state light sources	LED illumination
Nov. 2015	Allure Global Solutions, Inc.	D Imaging total solution	Digital signage-related
Jan. 2016	American Green Technology, Inc.	A Lamp(Development of new markets)	Lamps for space hygiene and sales channel
Feb. 2016	PD-LD, Inc.	B Solid state light sources	Laser light source for imaging-related
Apr. 2016	sunsorit Co., Ltd	C Medical	Skin care

Contribution of M&A to Operating Income*

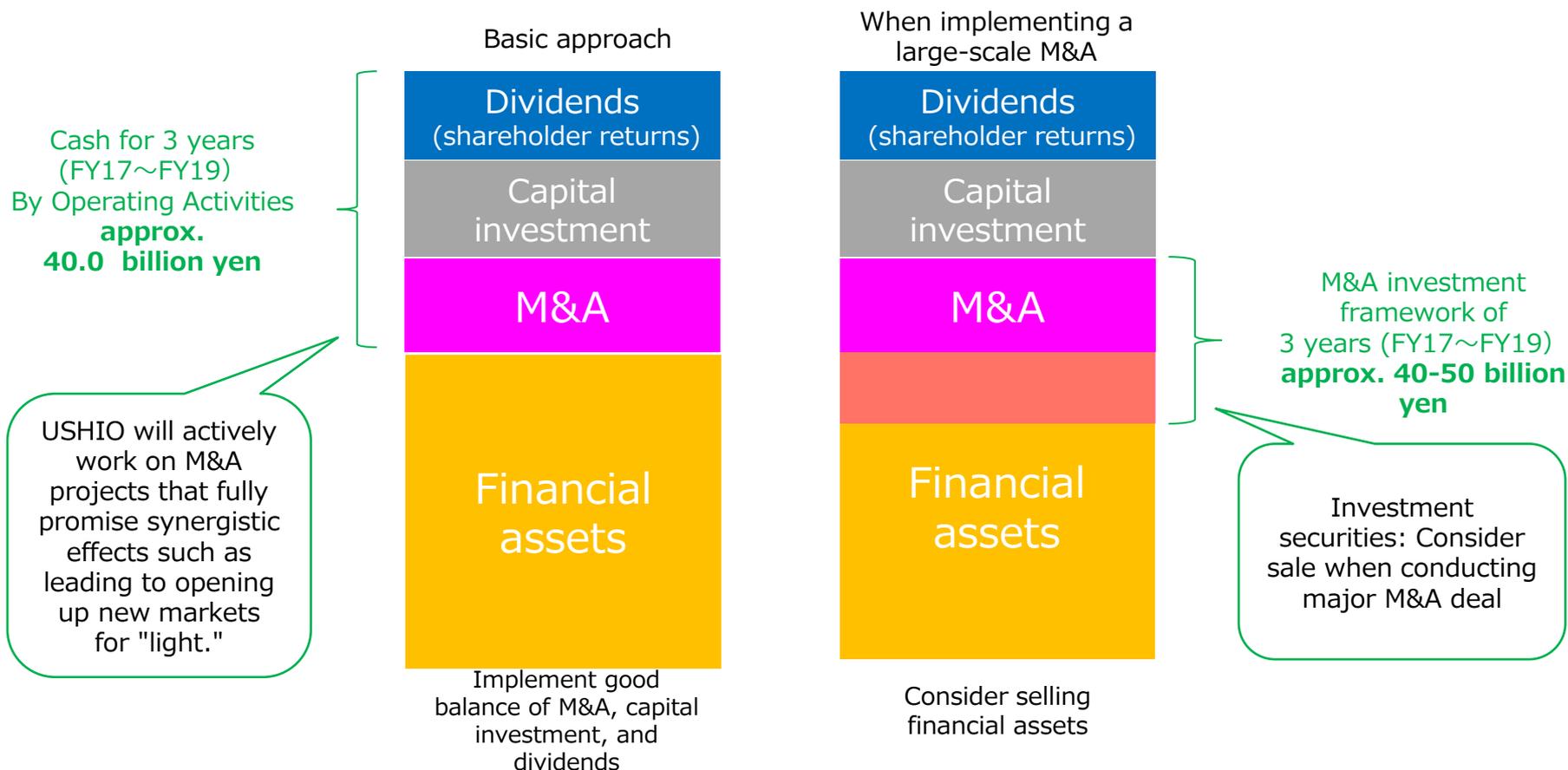
Approx. 7.0 Billions of yen

Accumulated contribution amount for the past 10 years (FY07~FY16)

*Operating income ratio before goodwill amortization, etc.

Capital Policy, Cash Allocation, etc. in New Medium-term Plan (FY17-FY19)

Shareholder returns: Return profits in a stable and consistent manner

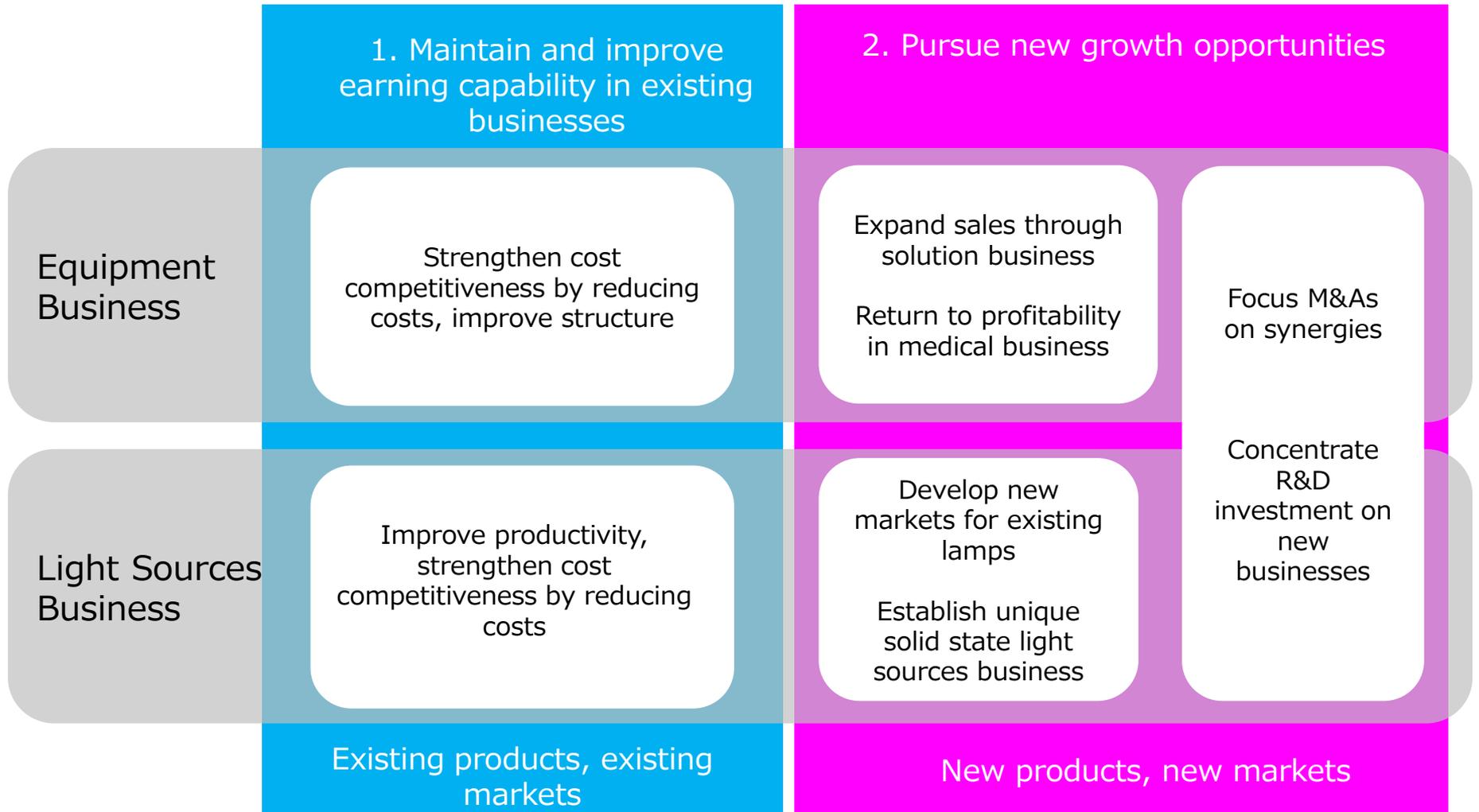


ROE improvement: Aim to improve by increasing operating income

Share buybacks: Flexible approach while considering share price levels

Key Measures by Business in New Medium-term Plan (FY17~FY19)

Maintain and improve earning capability in existing businesses & Pursue new growth opportunities

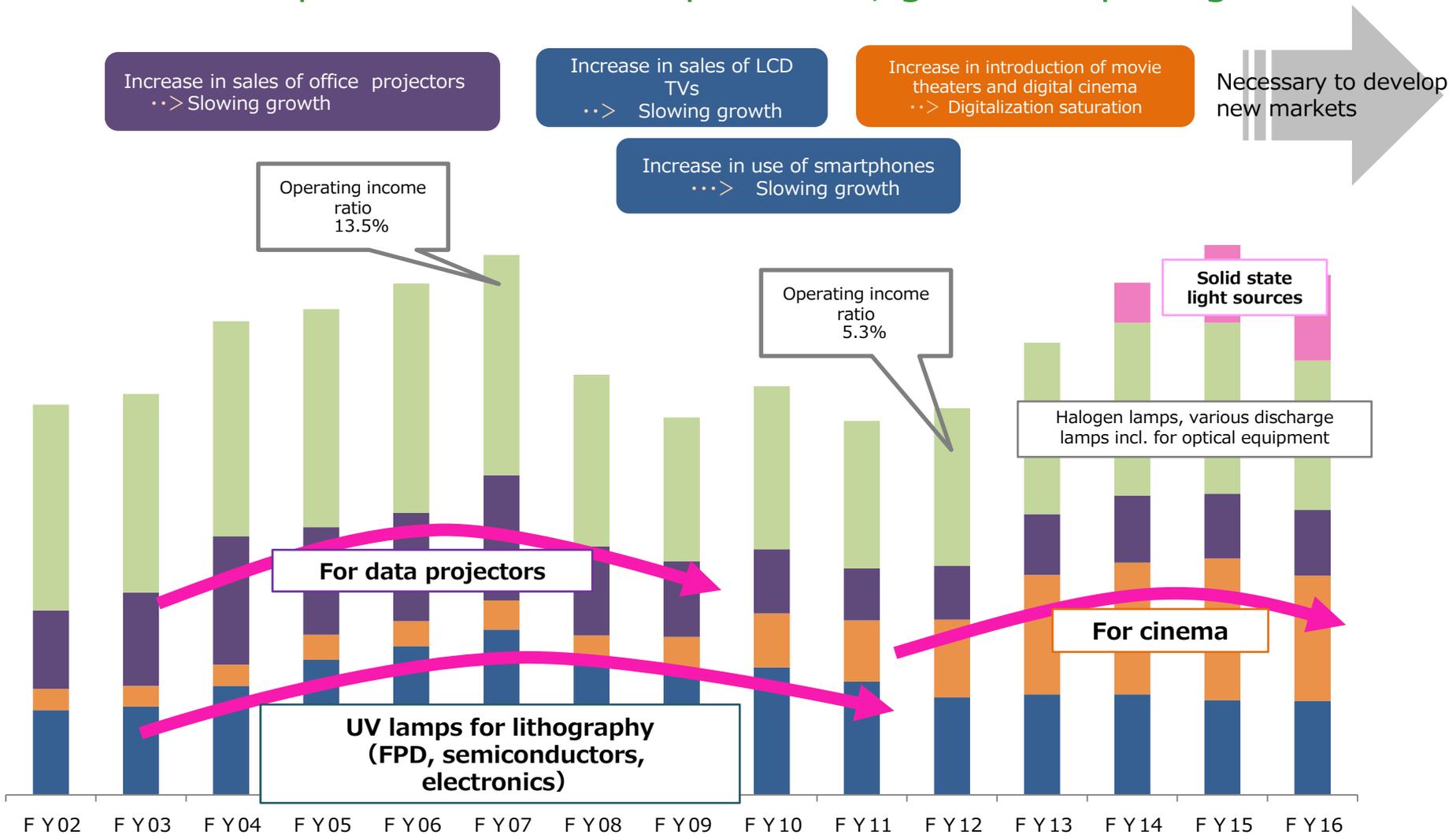


Net Sales by Business in New Medium-term Plan (FY17~FY19)

Segment	Sub-segment			1 st year	2 st year	3 st year	Changes in 3 years (FY19-FY16)		CAGR
		FY15	FY16	FY17	FY18	FY19	(billion yen)	(%)	(%)
		(Results)	(Results)	(Plan)	(Plan)	(Plan)			
Equipment Business	Imaging equipment	70.3	67.0	72.5	74.0	77.5	10.5	16	5
	Optical equipment	25.9	28.5	27.5	30.5	33.0	4.5	16	5
	Illumination and others	2.4	2.0	2.5	2.5	2.5	0.5	25	8
	Sub-total	98.7	97.6	102.5	107.0	113.0	15.4	16	5
Light Sources Business	Discharge lamps (incl. SSLs)	63.4	59.7	62.5	69.0	73.0	13.3	22	7
	Halogen lamps	13.7	12.1	12.0	11.0	11.0	-1.1	-9	-3
	Sub-total	77.2	71.9	74.5	80.0	84.0	12.1	17	5
Other	Machinery for industrial use and other	3.1	3.2	3.0	3.0	3.0	-0.2	-6	-2
Total		179.1	172.8	180.0	190.0	200.0	27.2	16	5
Company-wide basis	Operating income (billion yen)	13.1	8.6	10.0	12.5	15.0	6.4	74	20
	Operating income ratio (%)	7.3	5.0	5.6	6.6	7.5	2.5p	-	-

Strategy by Business: Light Source Business (Sales Trends)

Growth phase over for lamp market, growth tapering off



Strategy by Business: Light Source Business

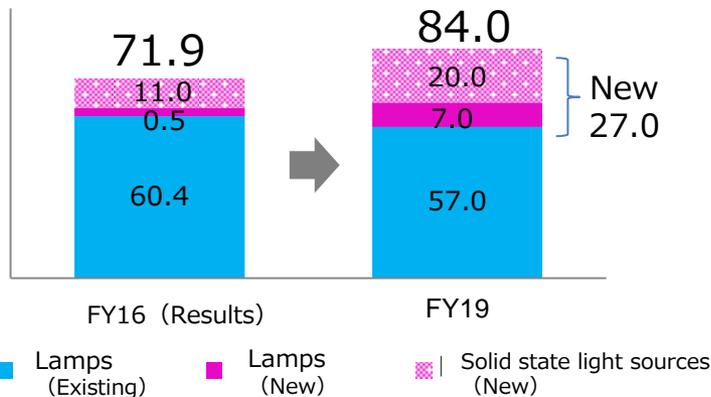
1. Maintain and improve earning capability in existing businesses

– Reduce manufacturing costs with IT and robotics, optimize ratio of domestic and overseas production

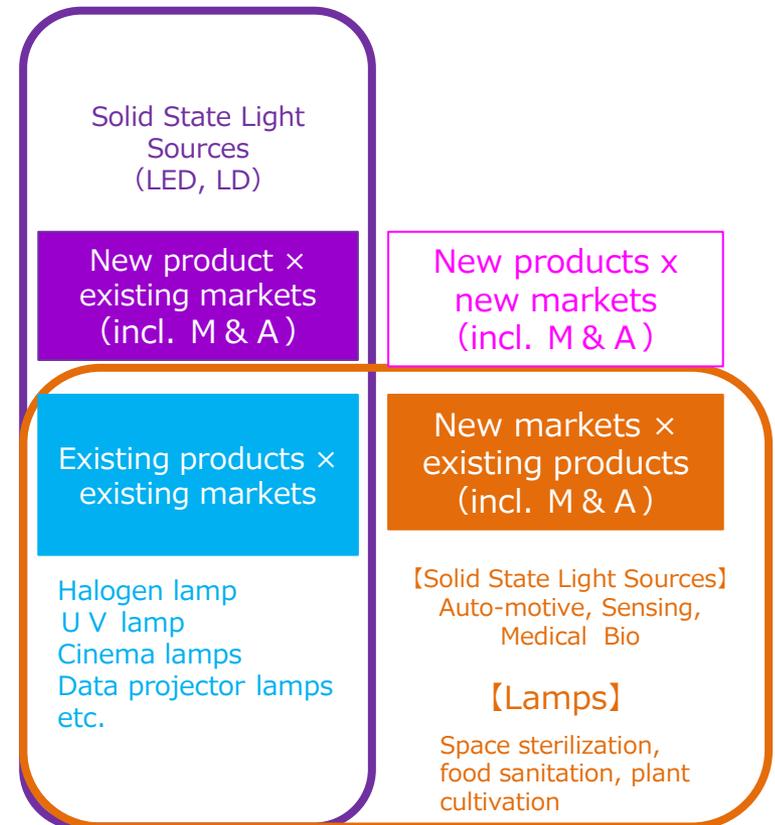
2. Pursue new growth opportunities

– Develop new applications for existing lamps for new markets, solid-state light sources*, M&A

Net sales (Billions of yen)



Growth strategy



New markets x Existing products



Business examples for a safe, secure, comfortable and convenient society:
XeFlria ozonizer for space sterilization and deodorization

Now building a new solution-type business model



Use of sodium lamps to grow plants:



In use at a paprika plant in Kushiro

※ The Sales of solid state light sources is under Light Source segment in this material.

(Reference : Strategy by Business: Light Source Business, Solid State Light Sources)

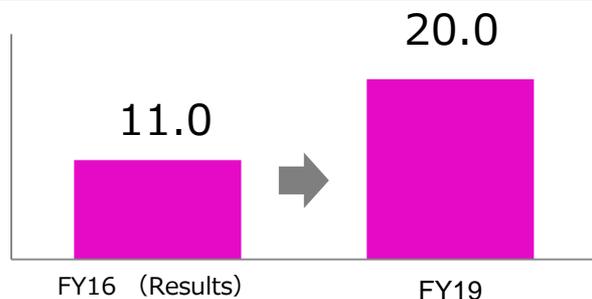
Switching from existing lamps

- Aim to maintain USHIO's market share in lamps and solid-state light sources (Example: lighting, cinema projectors, UV printing)

Development of new application by utilizing the strength of solid state light sources

- Contribute to market share gains (example: HUD, sensors, medical, etc.)

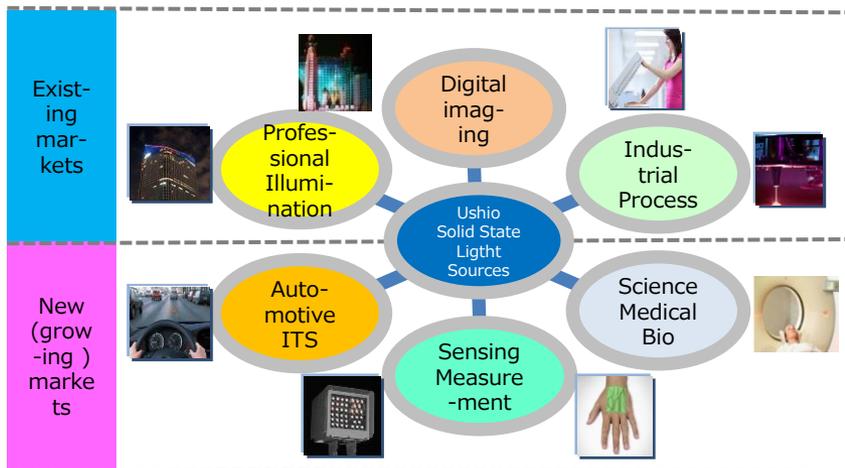
Net sales (Billions of yen)



Among key fields, focus on growth fields of automobiles, sensing, science, medical

Strengthening the USHIO Solid-state Light Source Business

1. Extensive wavelength lineup specializing in industrial applications
2. Maximize light use efficiency with optical technology accumulated in lamps, realize high performance
3. High reliability for professional use
4. Integrated Group supply of devices, modules and systems (equipment)



Devices



Modules



Systems

Strategy by Business: Equipment Business/Optical Equipment

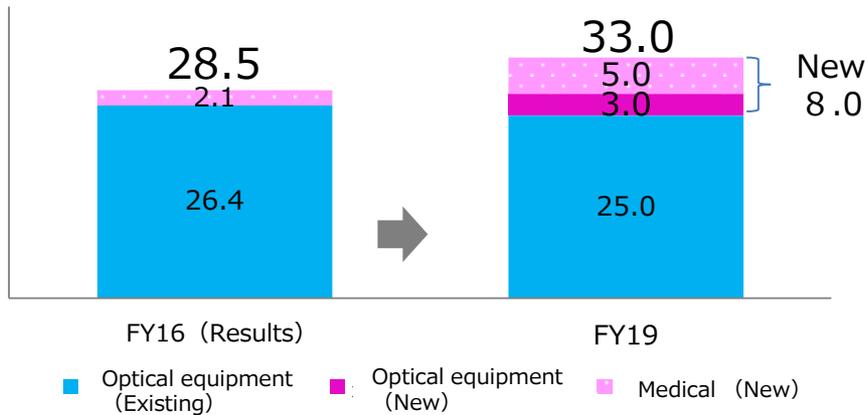
1. Maintain and improve earning capability in existing businesses

– Return to profitability in optical equipment by thoroughly improving business structure

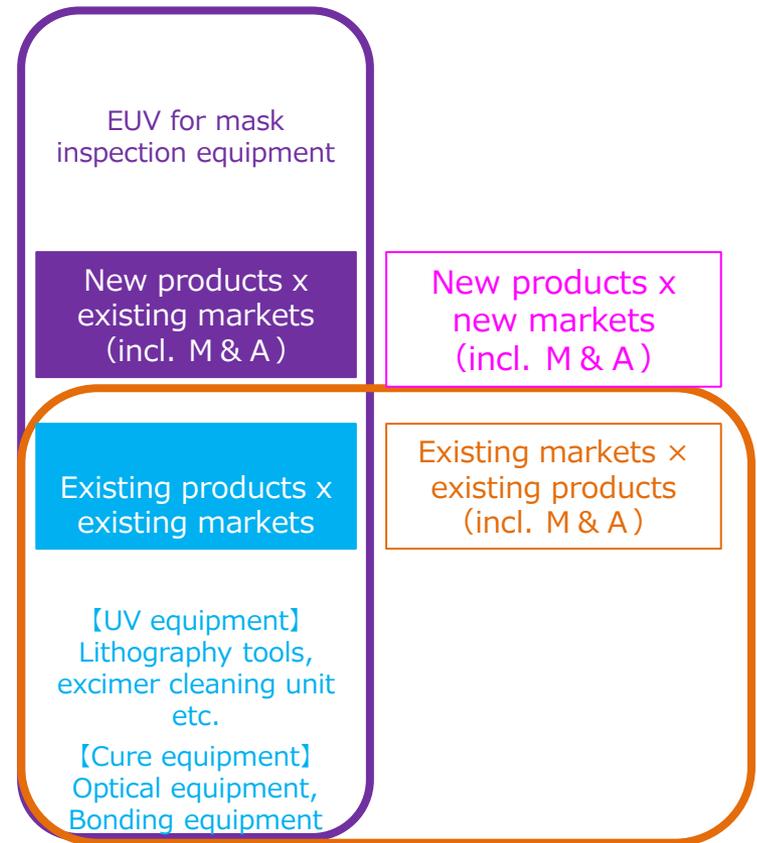
2. Pursue new growth opportunities

– Establish EUV business for inspection equipment

Net sales (Billions of yen)



Growth strategy



Maintain and improve profitability (USHIO products)

1. Screen orders for profitability
2. Standardize design of UX series (plan to complete during new medium-term plan)
3. Reduce costs in materials procurement through design standardization

EUV

1. Plan to post sales from FY2018
 2. Target sales of about ¥3 billion in FY2019
- Aim for double-digit growth in shipment volume over 10 years

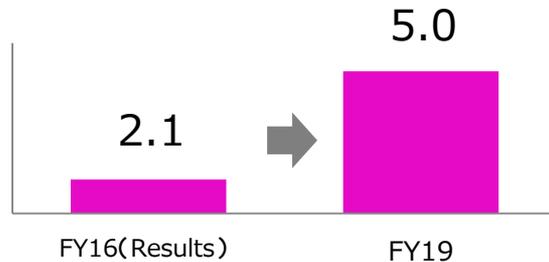


※The Sales of medical is under Optical Equipment segment in this material.

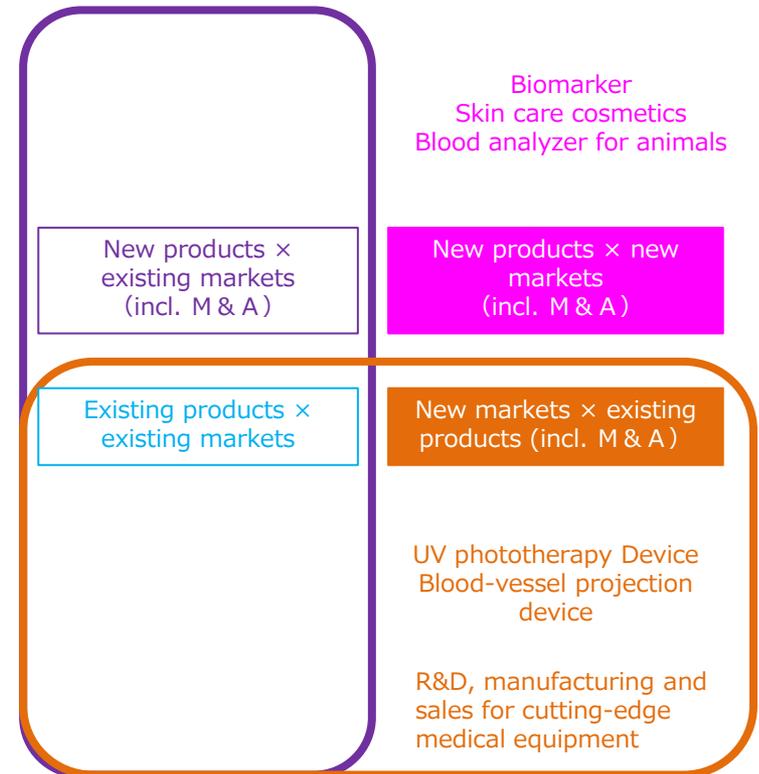
(Reference : Strategy by Business: Equipment Business, Medical)

1. Skin care business – Develop new products and add new sales items in the skin treatment field, sell cosmetics in Asia region
2. Blood testing system for veterinary use – Sell outside China, add inspection items
3. Develop business in China market through USHIO Medical Technology (Suzhou)
4. Biomarker business – Expand sales channels

Net sales (Billions of yen)

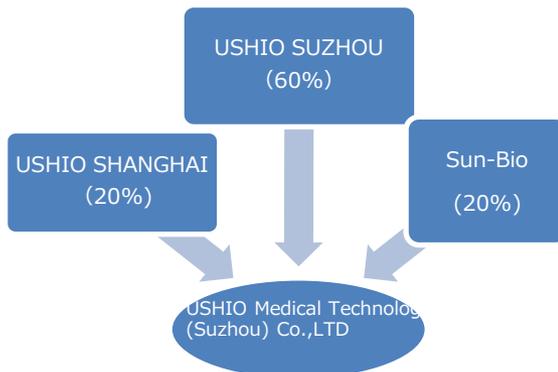


Growth strategy



USHIO Medical Technology (Suzhou)Co., LTD.

R&D, manufacturing and sales joint venture for cutting-edge medical equipment and peripheral devices. Plans to start selling new products



Strategy by Business: Equipment Business/Imaging Equipment

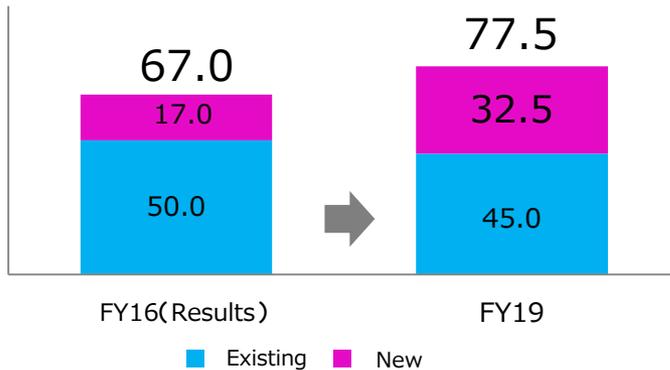
1. Maintain and improve earning capability in existing businesses

— Emphasize cost performance balance in investments, improve productivity with robotics

2. Pursue new growth opportunities

— Expand sales through solution business

Net sales (Billions of yen)



Solution business expansion

General imaging: Christie360 (stationary projection mapping)

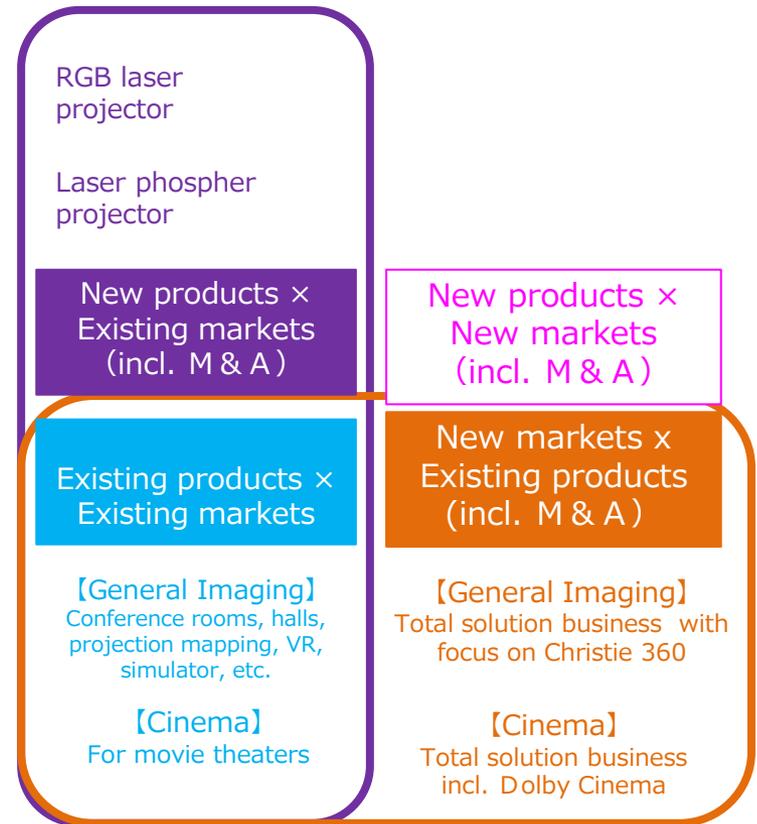
New solutions-type business that provides everything from hardware to content, software and monitoring

Cinema: Dolby Cinema (Premium theaters with laser projectors)

Number of sites: more than 90 sites (as of April 2017)
 Expand to 140 sites by end of September 2017
 Forecast increase to total of 325 sites globally



Growth strategy



Reference : Christie360 (Stationary projection mapping)



CHRISTIE® 360
Experiential Studios



Christie Boxer (Projector)



CHRISTIE® 
MYSTIQUE

Christie MYSTIQUE
(Software)



Christie Twist
(Imaging blending equipment)



Christie Pandora Box
(Media server)

※See the links below for more examples

- <https://www.youtube.com/watch?v=I9EZqN5AkvE>
- <https://www.youtube.com/watch?v=v5cRoQgQzdw>
- <https://www.youtube.com/watch?v=ZnMlv3APXNo>
- <https://www.youtube.com/watch?v=ky4DR-iljLQ>
- <https://www.youtube.com/watch?v=vxk9IVpYfDY>
- https://www.youtube.com/watch?v=eVB8C_-7uuU

Reference : Press release in 4Q (Summary)

Established holding company for strengthening entertainment business in Japan

– Maximize Group resources in lighting, imaging and sound, with the aim of providing total solutions –

In order to strengthen the entertainment business centered on lighting, imaging, and sound in Japan, Ushio Entertainment Holdings was established on April 3, 2017, as a holding company for three Group companies: Ushio Lighting, Maxray and Xebex



Examples of collaboration by these three companies



USHIO

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