

Strategy

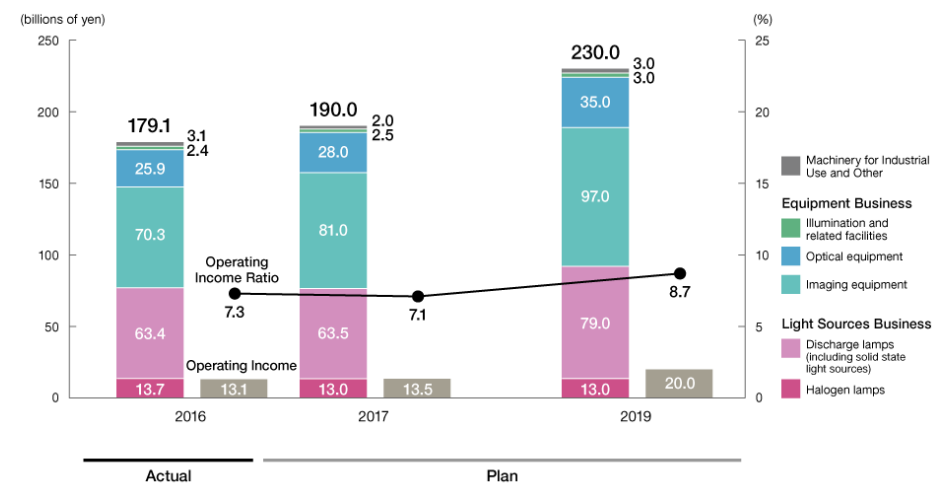
Strategy

Medium-term Management Plan

Objectives for the Year Ending March 31, 2019

| NET SALES | | OPERATING INCOME | |
|------------------------|---------------------------------|------------------|--------------------------------|
| 2016 (Actual) | 2019 (Plan) | 2016 (Actual) | 2019 (Plan) |
| ¥179.1 billion | ¥230.0 billion | ¥13.1 billion | ¥20.0 billion |
| | +¥50.9 billion, growth rate 28% | | +¥6.9 billion, growth rate 53% |
| OPERATING INCOME RATIO | | ROE | |
| 2016 (Actual) | 2019 (Plan) | 2016 (Actual) | |
| 7.3% | 8.7% +1.4 percentage points | 5.2% | Above 8% |

Sales (by sub-segments) and Operating Income



| Segments | Sub-Segments | March 2019 (Plan) (Billions of Yen) | For the Next 3 Years | | CAGR |
|------------------------|---|---|---|--------------|------------|
| | | | Amount of Increase (Billions of Yen) | Growth Rates | |
| Equipment Business | Imaging equipment | 97.0 | +26.7 | 38% | 11% |
| | Optical equipment | 35.0 | +9.1 | 35% | 11% |
| | Illumination and related facilities | 3.0 | +0.6 | 25% | 8% |
| | Sub-total | 135.0 | +36.3 | 37% | 11% |
| Light Sources Business | Discharge lamps (including solid state light sources) | 79.0 | +15.6 | 25% | 8% |
| | Halogen lamps | 13.0 | -0.7 | -5% | -2% |
| | Sub-total | 92.0 | +14.8 | 19% | 6% |
| Others | Machinery for industrial use and other business | 3.0 | -0.1 | -3% | -1% |
| Total | | 230.0 | +50.9 | 28% | 9% |

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Key Strategies under the Current Medium-term Management Plan

○ Maintain and Improve Earning Capability in Existing Businesses

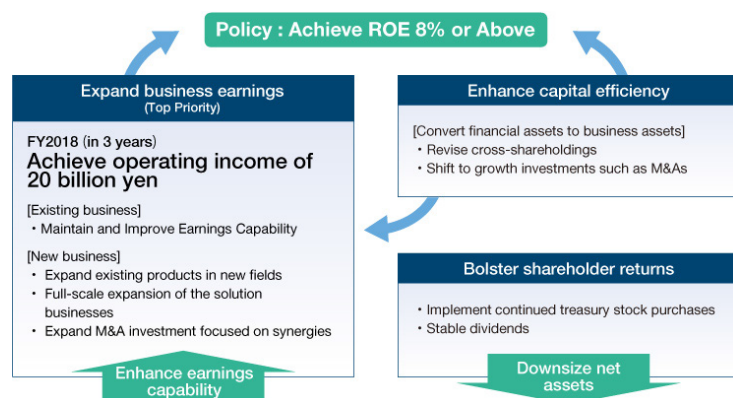
- Move to second stage of structural reform in the optical equipment business
- Increase cost competitiveness in Light Sources and Equipment businesses

○ Pursue New Growth Opportunities

- Expand existing products in new fields
- Full-scale expansion of the solutions businesses
 - Establish solution-type business model in the imaging field
 - Expand solution-type business into other business fields
- Expand M&A investment focused on synergies

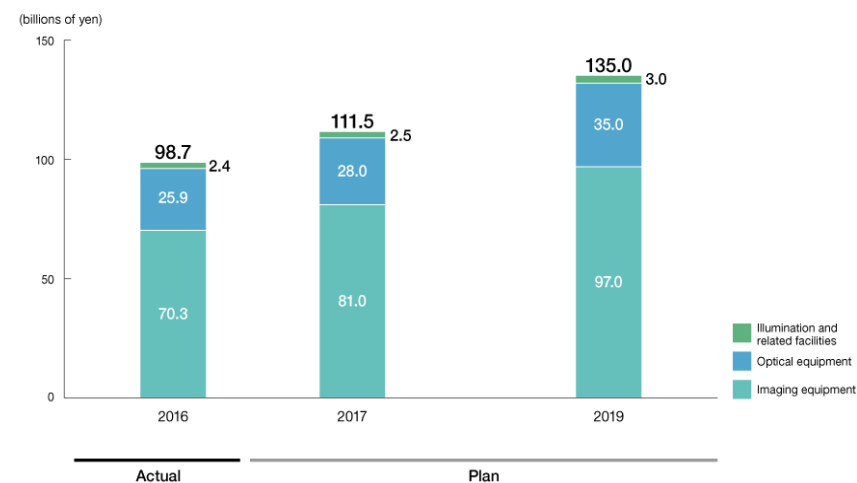
Increasing USHIO's Corporate Value

We will expand business earnings and aim to swiftly attain an ROE of 8% at the same time by enhancing our capital efficiency and bolstering shareholder returns.



Equipment Business

Medium-term Management Plan for Equipment Business



| | (billions of yen) | | |
|-------------------------------------|-------------------|-------------|-------------|
| | 2016 (actual) | 2017 (plan) | 2019 (plan) |
| Imaging equipment | 70.3 | 81.0 | 97.0 |
| Optical equipment | 25.9 | 28.0 | 35.0 |
| Illumination and related facilities | 2.4 | 2.5 | 3.0 |

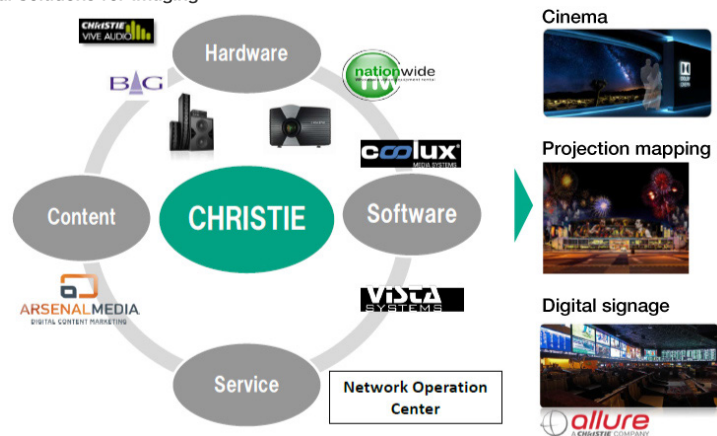
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Business Environment and Measures

○ Imaging equipment

| Field | Business Environment & Strategy | Measures |
|-----------------|---|--|
| Cinema | + Continued expansion of demand in developing countries and demand for premium cinema screens | Expand the total solution business <ul style="list-style-type: none"> Establish solution provision-type business model Establish stable revenue model |
| | + Increase provision of high-end cinema (Laser projector + Audio system, etc.) | |
| General imaging | + Expand the digital signage business - a growth field | |

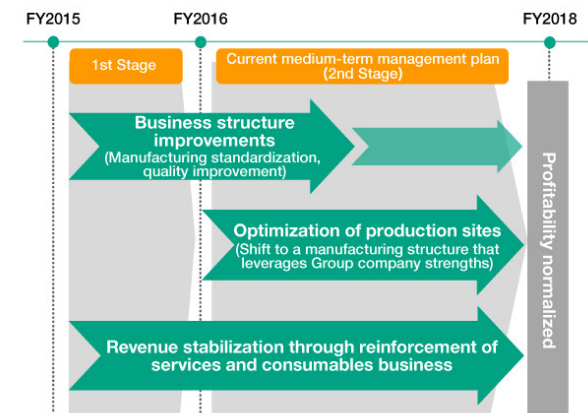
Expand Total Solutions for Imaging



○ Optical equipment

| Field | Business Environment & Strategy | Measures |
|----------------|---|---|
| UV equipment | + Innovate semiconductor packaging technology | Structural reform aimed at normalizing profitability <ul style="list-style-type: none"> Revise Group strategy |
| | + Invest in automotive and infrastructure, expand data center | |
| | + Investment opportunities through introduction of OLED | |
| Cure equipment | - Slowdown in smartphone growth | |
| | + Continued LCD investment in China | |
| | + Continued needs for higher resolution in small-/medium-sized LCDs | |
| | - Decline in demand as OLED replaces LCD | |

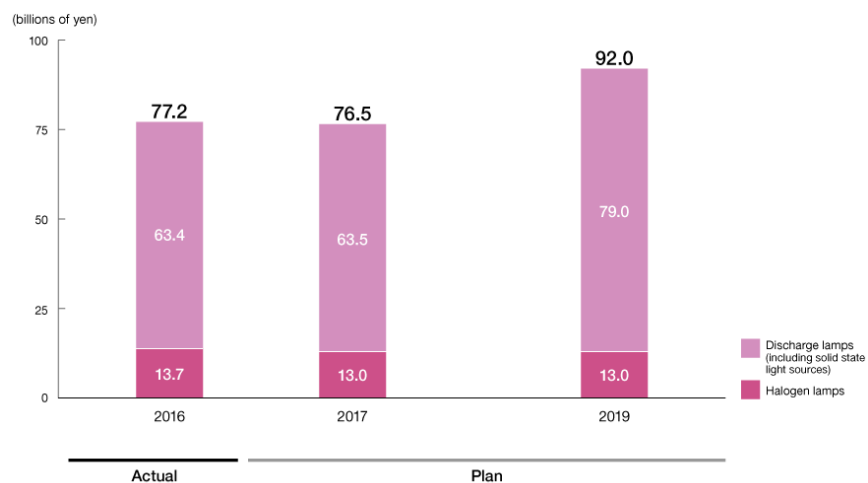
Structural Reform in the Optical Equipment Business



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Light Sources Business

Medium-term Management Plan for Light Sources Business



| | 2016 (actual) | 2017 (plan) | 2019 (plan) |
|--|---------------|-------------|-------------|
| Discharge lamps (including solid state light sources) | 63.4 | 63.5 | 79.0 |
| Halogen lamps | 13.7 | 13.0 | 13.0 |

Business Environment and Measures

| Field | Business Environment & Strategy | Measures |
|---------------------------|---|---|
| UV lamps | + Promote differentiation (high efficiency, long-life) - Mature market | Maintain profitability and grow sustainably |
| Lamps for cinema | + Increased demand in developing countries - Tougher price competition | |
| Lamps for data projectors | + Increase share by strengthening low-end position - Low market growth | |
| New business field | + Participate in growth fields such as environment, hygiene, automotive | |
| Solid state light sources | + Strengthen lineup to expand into new fields | <ul style="list-style-type: none"> Existing business: Maintain share and improve manufacturing costs New business: Aggressively enter into growth markets |

Business Domains in the Solid State Light Source Business

We will establish our own unique position in the solid state light source market by specializing in six business domains centering on the Industrial Process domain.

