Message from the President

We will solidify the foundation for taking the next leap forward.

Kenji Hamashima

President and Chief Executive Officer

Performance in the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, net sales declined 3.5% year on year to ¥172.8 billion, operating income decreased 34.5% to ¥8.6 billion, ordinary income fell 24.8% to ¥11.0 billion, and net income attributable to owners of parent declined 36.6% to ¥7.0 billion. Net sales declined mainly due to the impact of yen appreciation. Regarding operating income, we implemented structural reforms to address worsening performance in the imaging equipment business, but that was not enough to offset deterioration in gross income.

In the equipment business, sales and income declined year on year. A strong performance by optical equipment such as UV equipment and cure equipment was outweighed by weaker earnings in imaging equipment due to fiercer competition and negative impact from a stronger yen.

In the light sources business, sales and income were also lower due to the yen's appreciation. However, capacity utilization rates were high at users of UV lamps for lithography, and volumes grew for xenon lamps for cinema projectors and lamps for data projectors. In halogen lamps, high added-value, eco-friendly products continued to generate demand amid a decline in printing demand.

For the fiscal year ending March 31, 2018, we forecast net sales will grow ¥7.1 billion year on year to ¥180.0 billion. We expect growth to be driven by higher sales for imaging equipment in the equipment business. For operating income, we forecast a ¥1.3 billion increase year on year to ¥10.0 billion. This reflects contributions from the expansion of imaging solutions, the structural improvement of optical equipment, and restructuring at USHIO.

Based on our policy of returning profits in a stable and consistent manner, we paid dividends of ¥26 per share in the fiscal year ended March 31, 2017 and plan on maintaining annual dividends of ¥26 in the fiscal year ending March 31, 2018.

Looking Back at the Previous Medium-term Management Plan

Under the previous rolling Medium-term Management Plan announced in May 2016, we worked to transform into a highly profitable company via two key strategies: "maintain and improve earnings capability in existing businesses" and "pursue new growth opportunities."

In the fiscal year ended March 31, 2017, we focused on cutting costs, mainly through workforce streamlining at USHIO via voluntary early retirement and personnel reductions at Christie in response to dramatic changes in the market environment.

In addition, we are halfway through structural reforms in optical equipment and initiatives to pursue new growth opportunities. We will carry on with such key unfinished work under the new Medium-term Management Plan, aiming to lay the ground for taking the next leap forward.

Turning to the corporate governance framework, USHIO has made the majority of directors outside directors and transitioned to a Company with Audit and Supervisory Committee. This has invigorated discussions on the Medium-term Management Plan at Board of Directors meetings.

Overall Theme of the New Medium-term Management Plan

Following lively debate at Board of Directors meetings, we announced our new Medium-term Management Plan. It is a fixed plan covering the fiscal years ending March 31, 2018 through March 31, 2020. The plan's theme is to solidify the foundation for taking the next leap forward. Its two key strategies are as follows.

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

Through these initiatives, we aim to achieve our key performance indicator (KPI) targets for operating income of ¥15.0 billion and an operating income rate of 7.5% in the fiscal year ending March 31, 2020.

Please look forward to USHIO's advance toward our next leap forward as a "light company."