

Strategy

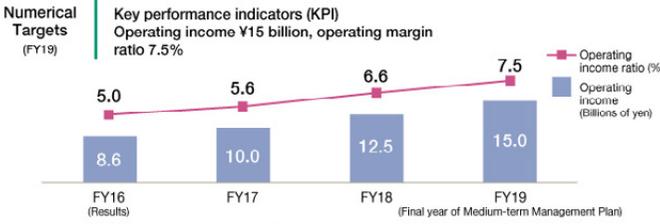


Medium-term Management Plan

Overview of New Medium-term Plan

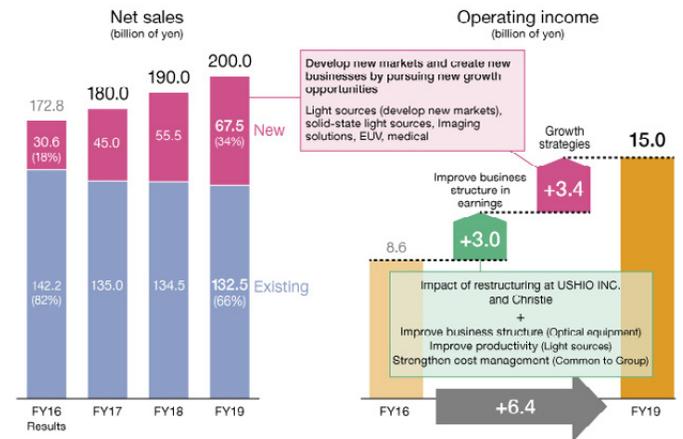
Solidify the foundation to make the next leap forward

- 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

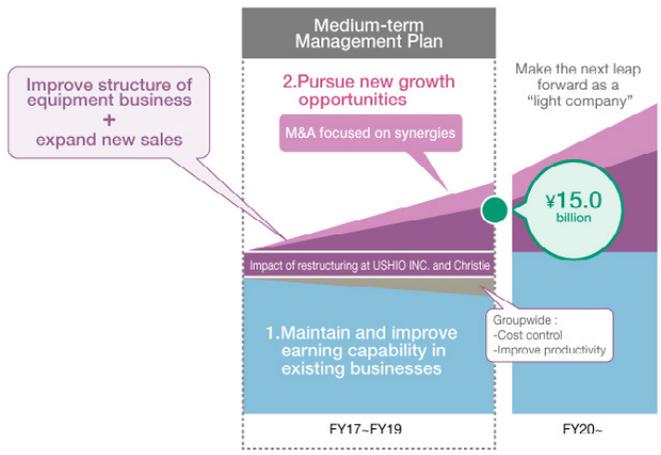


*Beginning with the new medium-term plan, switch from rolling targets to fixed three-year targets

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



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



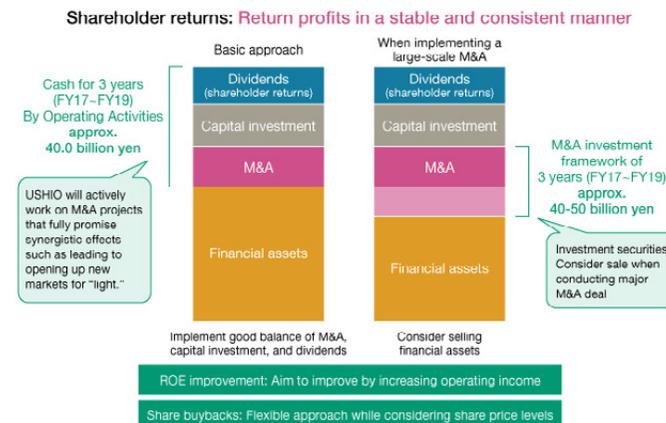
Strategy

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)

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

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



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



Strategy

Q&A for Medium-term Management Plan

Q1 Does your operating income target of ¥15.0 billion for the plan's final fiscal year (FY19) include profit from M&A investments focused on synergies?

No. Basically, that profit is not included in the target. The ¥15.0 billion target represents the profit target that we must achieve by executing various initiatives other than M&As.

Q2 What specific types of investments are planned for M&A investments focused on synergies? Also, how are you identifying investment projects?

We are mainly targeting the following four areas, which are positioned as growth fields:

1. Lamps (new applications in new markets for existing lamps)
2. Solid state light sources (LEDs, LDs)
3. Medical (skin care business, etc.)
4. Imaging equipment (total solution businesses, centered on stationary projection mapping, etc.)

We are actively undertaking research to identify investment projects by utilizing information from the Marketing & Innovation Division within USHIO INC. and Group companies, in addition to referrals from outside the Company.

Q3 Looking ahead, what sort of timing will you use to conduct M&A investments focused on synergies? Moreover, how and when will these investments be recouped?

M&As are premised on carefully deliberated negotiations with counterpart companies. Therefore, we do not have any information we can announce at this time regarding the implementation schedule for individual projects or the timing of recouping investments in those projects. However, based on the judgment that M&As are essential to driving further growth in the USHIO Group, we are actively researching and reviewing prospective projects at all times.

Q4 What is your highest priority for the use of the operating cash flow that will be generated during the period covered by the new Medium-term Management Plan? You noted that cash flow will be allocated to fund dividends, capital investment, and M&As. What are your perspectives on balancing those priorities?

We are giving the highest priority to the allocation of funds to M&A projects. We envision a roughly equal balance of allocations to dividends, capital investment and M&As.

Q5 The USHIO Group holds a large amount of financial assets. Could you please share your perspectives on improving ROE and buying back shares?

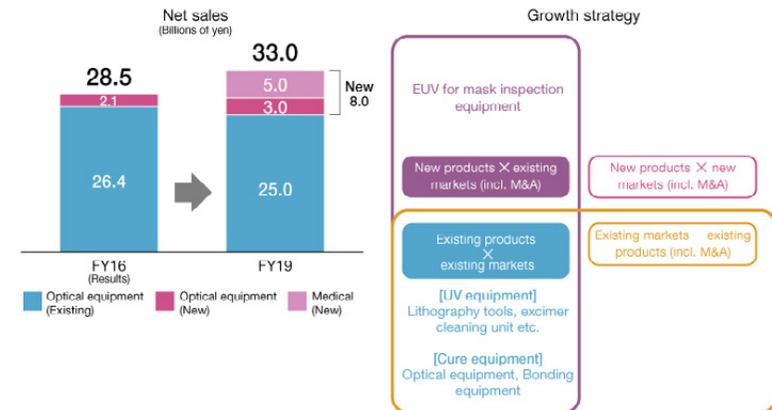
We recognize that improving ROE is one of our highest priorities. We seek to improve ROE by steadily achieving expansion in operating income by implementing M&As using our abundant financial assets. We will also flexibly buy back shares by constantly gauging the best timing for stock buybacks.

Equipment Business

Optical Equipment

1. Maintain and improve earning capability in existing businesses
2. Pursue new growth opportunities

- Return to profitability in optical equipment by thoroughly improving business structure
- Establish EUV business for inspection equipment



○ Maintain and Improve Profitability (USHIO Products)

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

○ EUV

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

