

Strategy

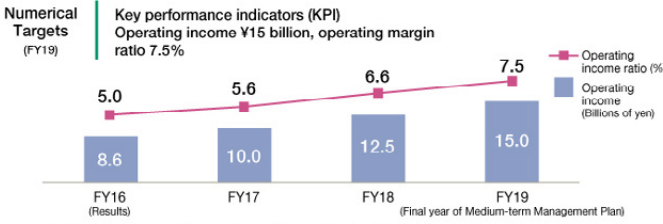


Medium-term Management Plan

Overview of New Medium-term Plan

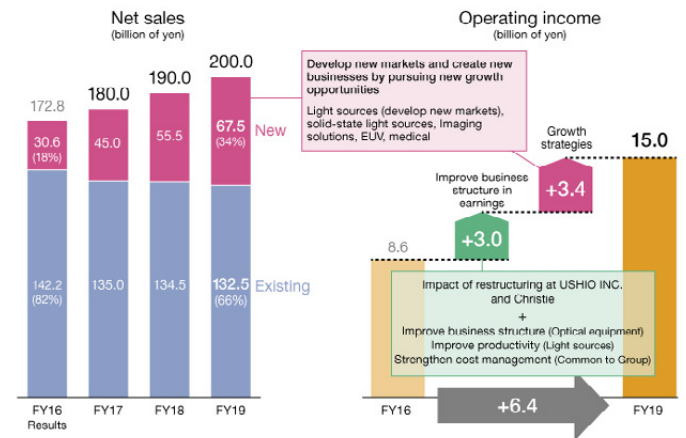
Solidify the foundation to make the next leap forward

- 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

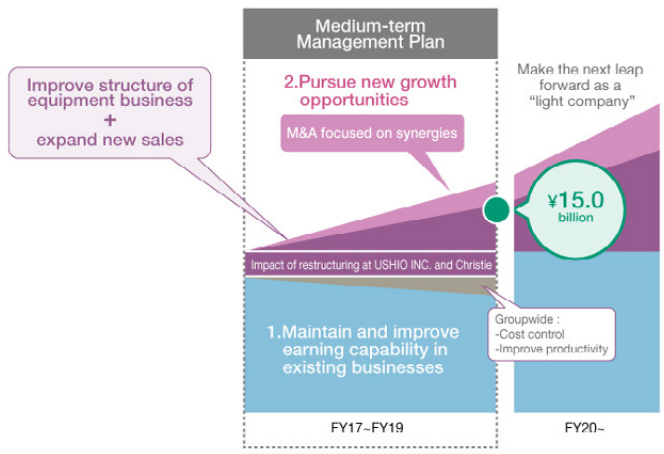


\*Beginning with the new medium-term plan, switch from rolling targets to fixed three-year targets

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)



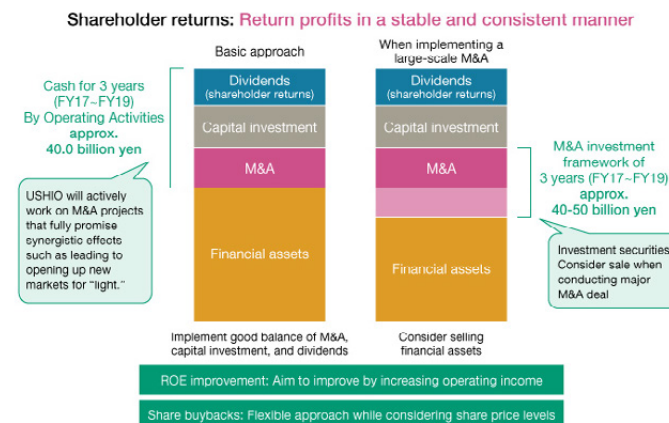
# Strategy

## 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?

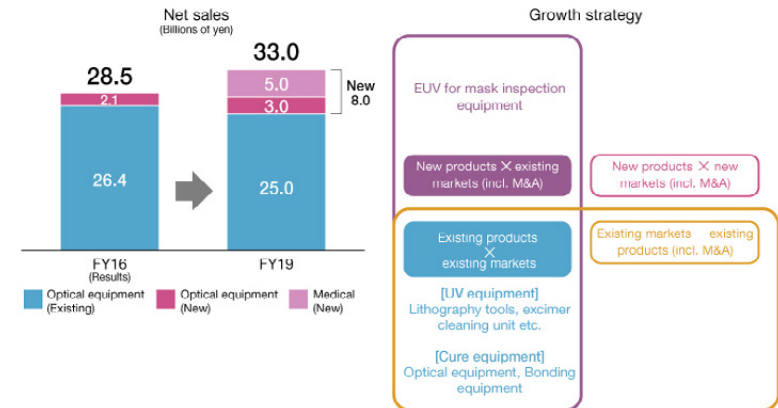
We recognize that improving ROE is one of our highest priorities. We seek to improve ROE by steadily achieving expansion in operating income by implementing M&As using our abundant financial assets. We will also flexibly buy back shares by constantly gauging the best timing for stock buybacks.

## 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

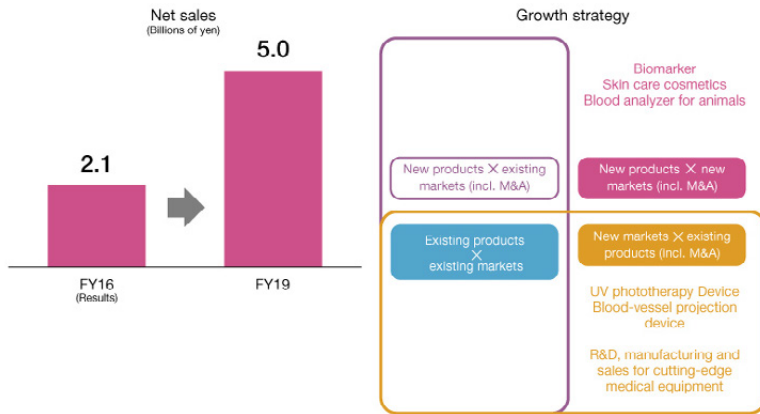
- Plan to post sales from FY2018
- Target sales of about ¥3 billion in FY2019
- Aim for double-digit growth in shipment volume over 10 years



# Strategy

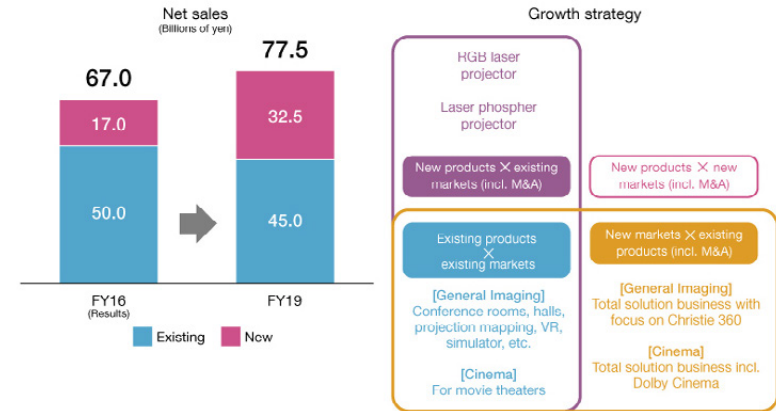
## Optical Equipment (Medical)

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



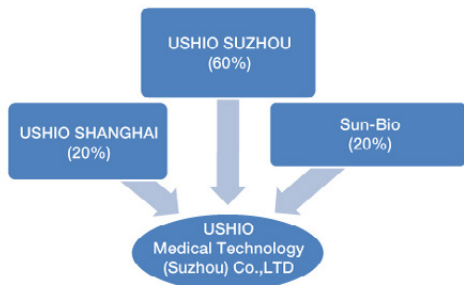
## Imaging Equipment

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



### 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

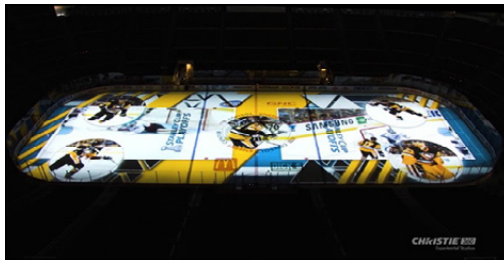


# Strategy

## ○ Solution Business Expansion

**General imaging: Christie360 (stationary projection mapping)**

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



**CHRISTIE 360**  
Experiential Studios



Christie Boxer (Projector)



**CHRISTIE MYSTIQUE**

Christie MYSTIQUE (Software)



Christie Twist (Imaging blending equipment)



Christie Pandora Box (Media server)

**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



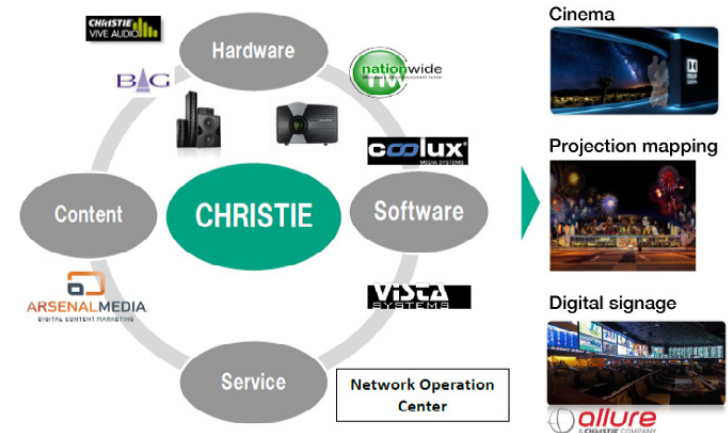
## Established Holding Company for Strengthening Entertainment Business in Japan

### ○ 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.



### ○ Expand Total Solutions for Imaging



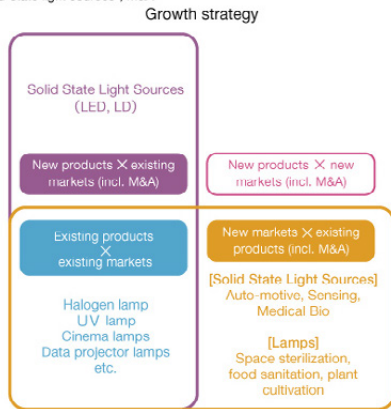
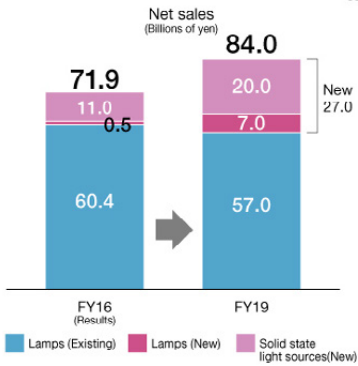
# Strategy

## Light Sources Business

### Light Sources Business

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

- Reduce manufacturing costs with IT and robotics, optimize ratio of domestic and overseas production
- Develop new applications for existing lamps for new markets, solid-state light sources\*, M&A



### ○ New Markets, 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



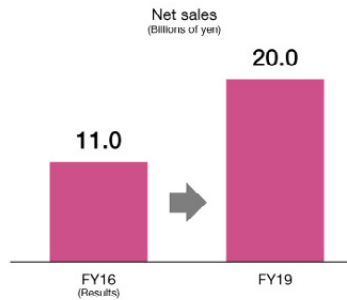
### Light Sources Business (Solid State Light Sources)

Switching from existing lamps

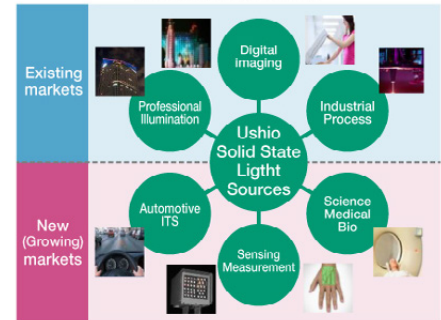
- Aim to maintain USHIO's market share in lamps and solid-state light sources (Example: lighting, cinema projectors, UV printing)

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

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



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



### ○ Strengthening the USHIO Solid-state Light Source Business

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

