



## CONTENTS

### Editorial Policy

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Since its founding, the USHIO Group has consistently developed lighting products satisfying needs on the cutting edge of various industrial fields. Many of those products were the first in the world in their respective fields or now command a top share in the global market.

To introduce the USHIO Group's initiatives for further growth, this report mainly features our Management Philosophy, Medium-term Management Plan, and stance on corporate governance as topics we would like to convey in particular to our stakeholders.

### Disclaimer

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The plans, strategies, and other statements related to the outlook for future results in this annual report reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.

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## Introduction

# Introduction

## Our Mission

### Our Management Philosophy of the USHIO Group

The Management Philosophy that underpins all activities of USHIO Group employees retains the spirit of the "Basic Policy" that was formulated when the Company was first founded, while also recognizing the social issues that have emerged with the changing times. Our Management Philosophy therefore calls us to "fulfill our corporate social responsibility."

1. Build both a prosperous Company and prosperous employees.
2. Deliver products and services that are competitive in the global market.
3. Contribute to society through superior products and innovative research and development.
4. Expand profits, corporate responsibility, and competitiveness through open and free-thinking business operations.

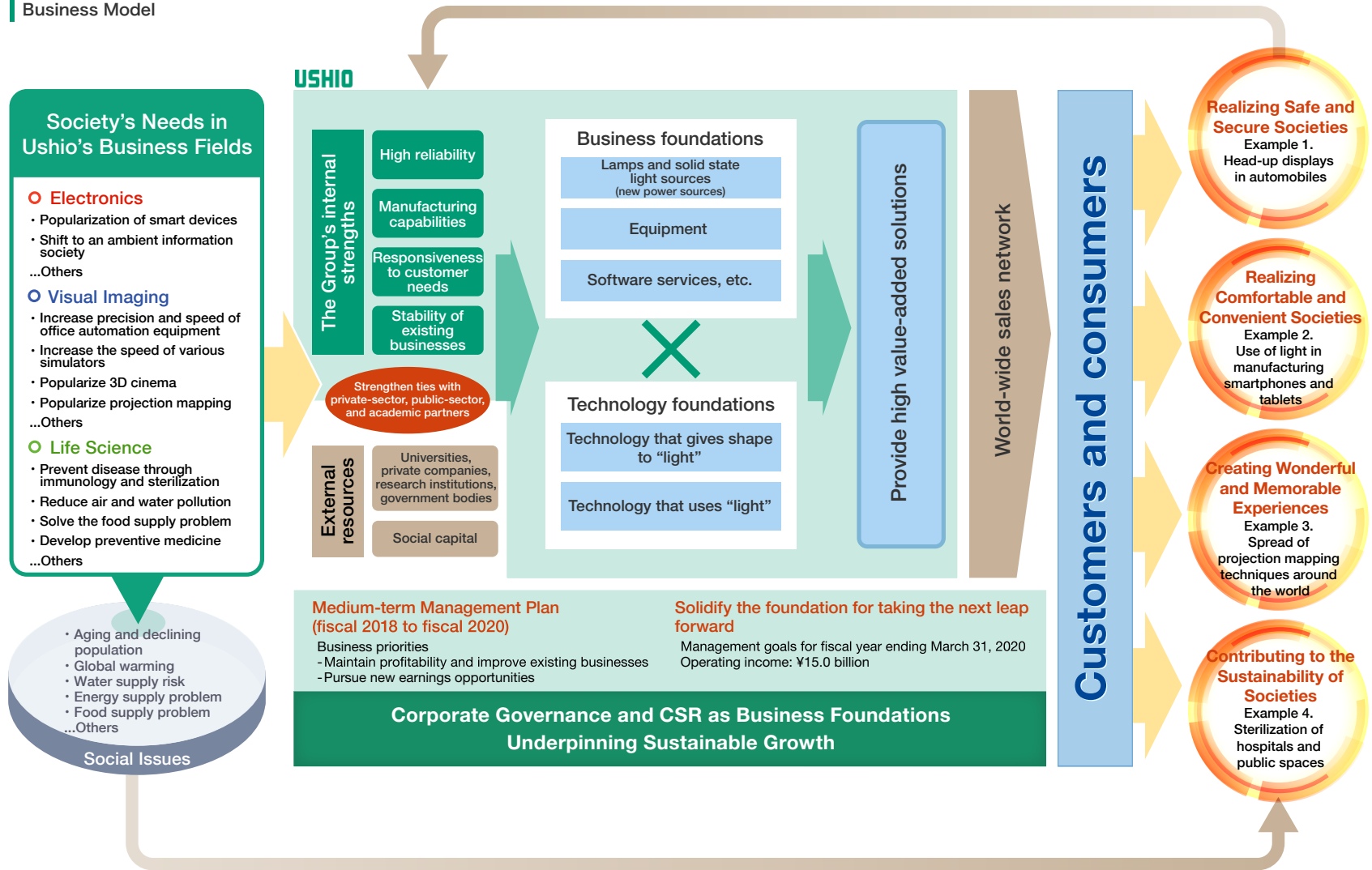
### Our 10 Action Guidelines

These Action Guidelines describe how to realize the vision of the USHIO Group, and each and every employee abides by the Guidelines on a daily basis.

1. We shall aim to be a company that accepts diverse individual qualities and values and where people work together and pursue self-learning and self-improvement.
2. We shall strive for the Company's sustainable growth through our innovative, proactive and prompt management.
3. We shall respect all the internationally recognized basic human rights relating to our business activities, and endeavor to create bright, safe and pleasant working environments.
4. We shall provide high-quality, safe products and services at appropriate prices and carry out fair and equitable business transactions.
5. We shall work to earn the understanding and trust of society.
6. We shall comply with laws and regulations and carry out fair business activities in accordance with socially accepted practices.
7. We shall fulfill our duties to the best of our abilities in conformity with internal regulations and standards.
8. We shall promote environmental protection and the efficient use of resources.
9. We shall carry out proactive public relations activities while respecting the value of information and intellectual property rights of third parties.
10. We shall contribute to the development of respective regions where we conduct business as a member of the international community.

Introduction

Business Model



## Introduction

### ○ Realizing Safe and Secure Societies

Example 1. Head-up displays in automobiles

A head-up display projects various information onto the windshield of a car while constantly interfacing with electric toll collection (ETC) systems and cloud networks. This technology is expected to reduce driver inattentiveness by enabling them to obtain information without shifting their gaze. To realize safe and secure societies, USHIO is also engaged in the development of head-up displays.

Example 1



### ○ Realizing Comfortable and Convenient Societies

Example 2. Use of light in manufacturing smartphones and tablets

Many types of light are used in manufacturing the smartphones and tablets that have enriched and made our lives more convenient. By harnessing the characteristics of light, USHIO plays several roles in the process, eliminating minute dust particles from the manufacturing process, bonding components together, and bringing out the clarity and definition of liquid crystal displays.

Example 2



### ○ Creating Wonderful and Memorable Experiences

Example 3. Spread of projection mapping techniques around the world

Projection mapping is a technique that uses numerous digital projectors equipped with high-intensity lamps to project images onto buildings and other large objects and spaces. USHIO's light sources used in this way have continued to enthrall audiences at large-scale events in Japan and around the world.

Example 3



### ○ Contributing to the Sustainability of Societies

Example 4. Sterilization of hospitals and public spaces

Sterilization with light, instead of chemicals, is drawing attention as a highly safe method for maintaining hygiene. This promising technique holds potential for use in settings such as hospital operating theaters, swimming pool water and office lobbies. Expectations are growing for the use of light in protecting people's health.

Example 4



## Message from the President

### 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."

Strategy

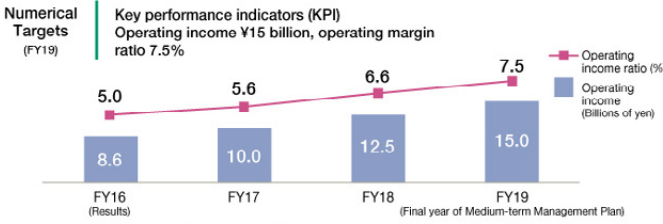


Medium-term Management Plan

Overview of New Medium-term Plan

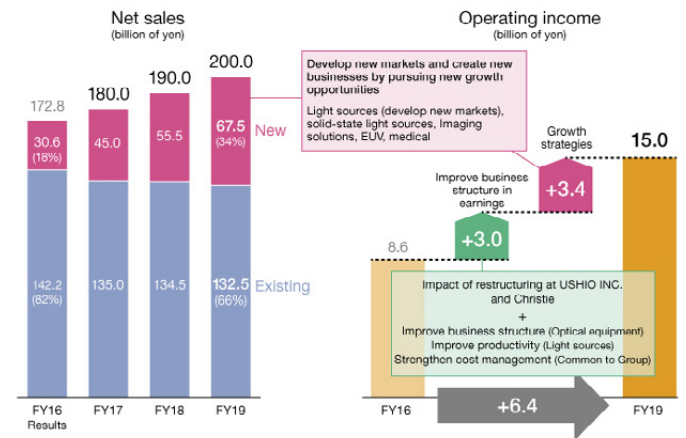
Solidify the foundation to make the next leap forward

- 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

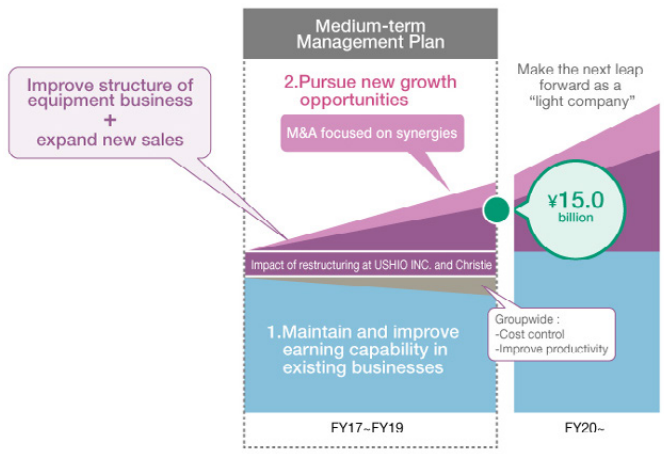


\*Beginning with the new medium-term plan, switch from rolling targets to fixed three-year targets

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)



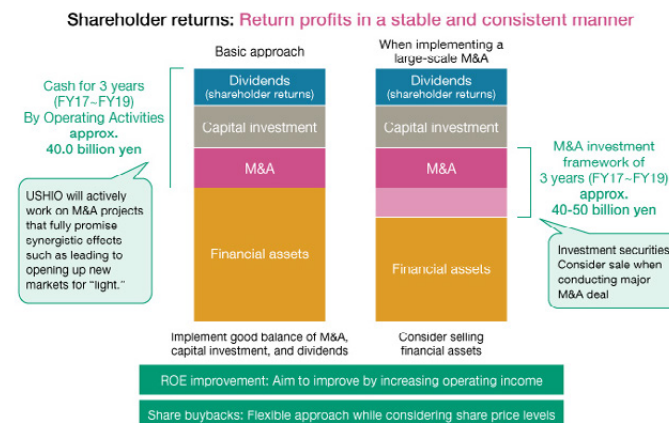
# Strategy

## 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?

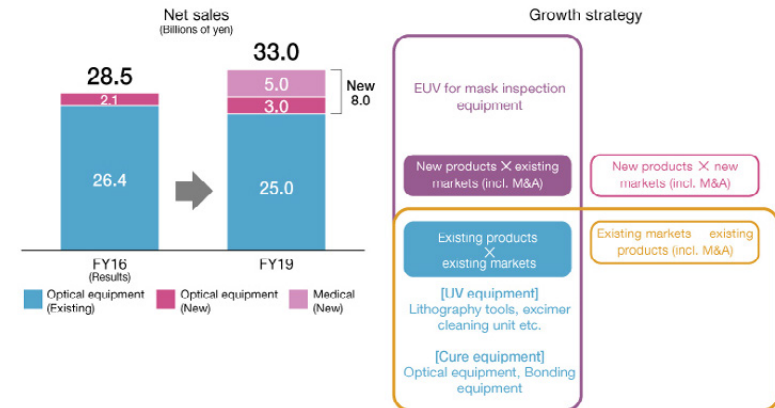
We recognize that improving ROE is one of our highest priorities. We seek to improve ROE by steadily achieving expansion in operating income by implementing M&As using our abundant financial assets. We will also flexibly buy back shares by constantly gauging the best timing for stock buybacks.

## 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

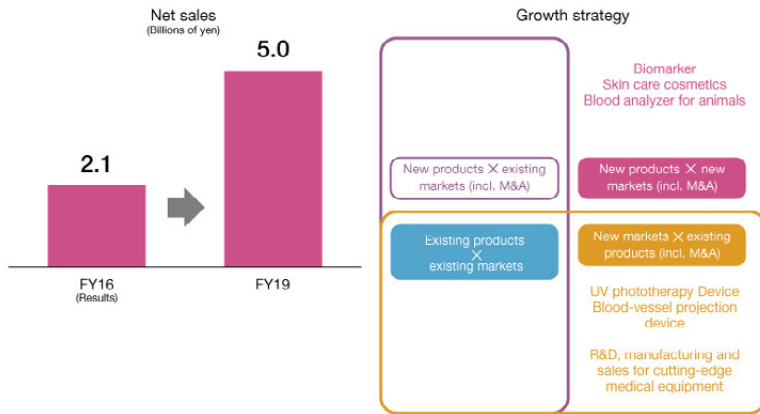
- Plan to post sales from FY2018
- Target sales of about ¥3 billion in FY2019
- Aim for double-digit growth in shipment volume over 10 years



# Strategy

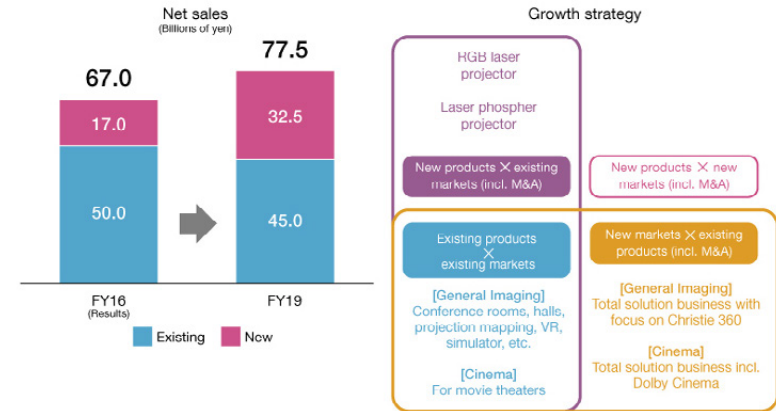
## Optical Equipment (Medical)

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



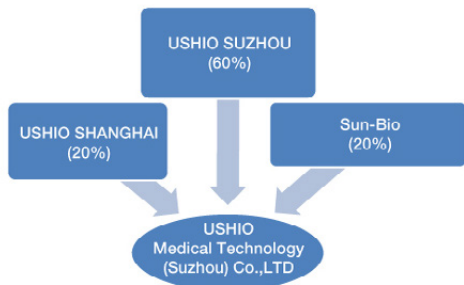
## Imaging Equipment

- Maintain and improve earning capability in existing businesses** - Emphasize cost performance balance in investments, improve productivity with robotics
- 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

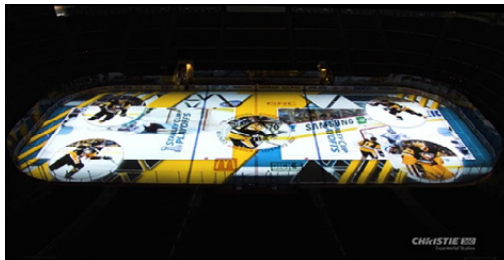


# Strategy

## ○ 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



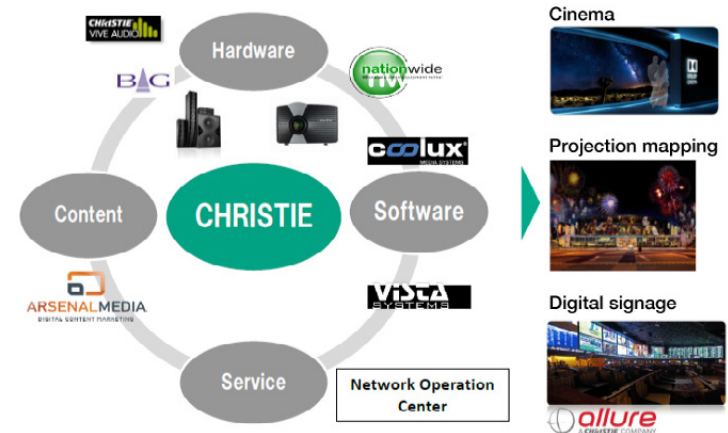
## Established Holding Company for Strengthening Entertainment Business in Japan

### ○ 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



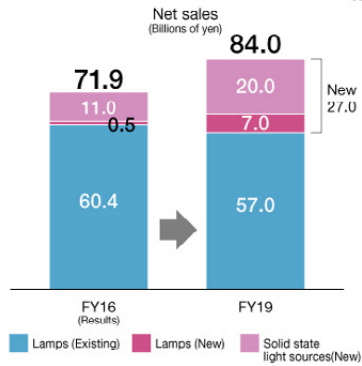
# Strategy

## Light Sources Business

### Light Sources Business

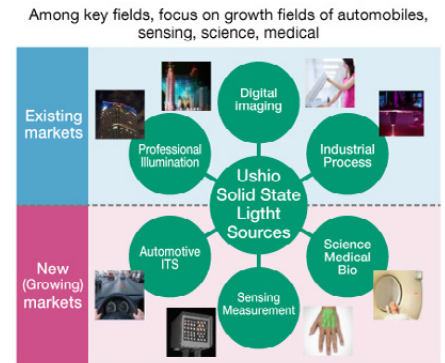
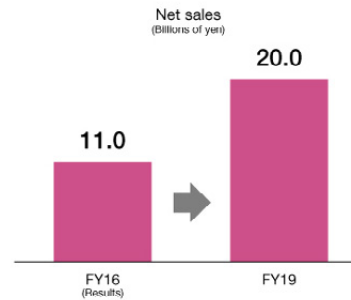
1. Maintain and improve earning capability in existing businesses
2. Pursue new growth opportunities

- 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



### 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.)



### 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



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

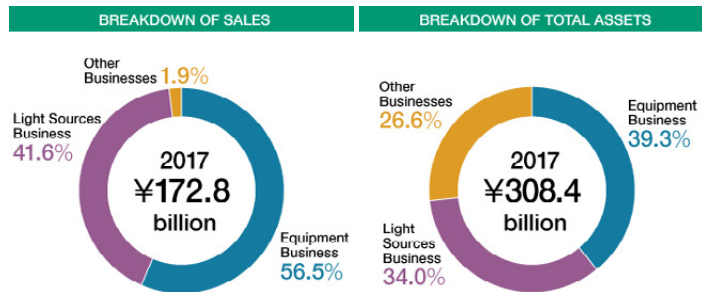
- Extensive wavelength lineup specializing in industrial applications
- Maximize light use efficiency with optical technology accumulated in lamps, realize high performance
- High reliability for professional use
- Integrated Group supply of devices, modules and systems (equipment)



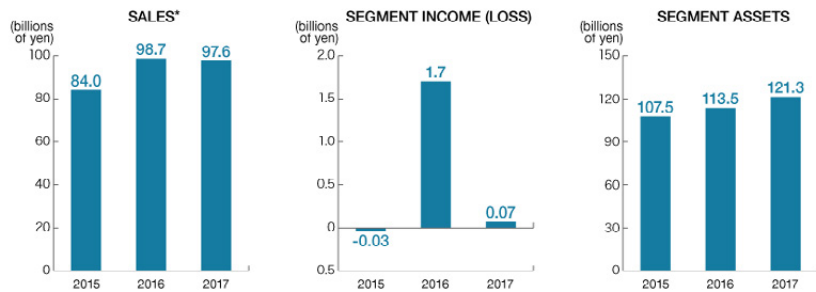
# Business Overview



## At a Glance



## Equipment Business



\*Sales indicates sales to unaffiliated customers

### ○ Imaging Equipment

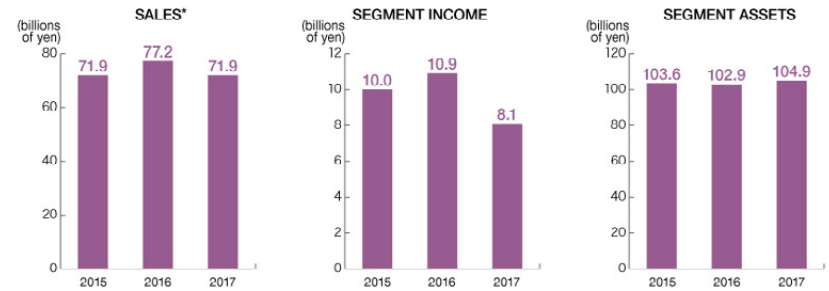
- Digital cinema projectors
- Digital projectors for general imaging, control rooms, simulators, digital signage and virtual reality systems

### ○ Optical Equipment

- Optical equipment for manufacturing semiconductors, flat panel displays and electronic components (lithography equipment, photo-cleaning units, optical alignment equipment, and others)
- UV phototherapy devices and other medical devices
- EUV light sources equipment for semiconductor inspection and development applications

## Business Overview

### Light Sources Business



\*Sales indicates sales to unaffiliated customers

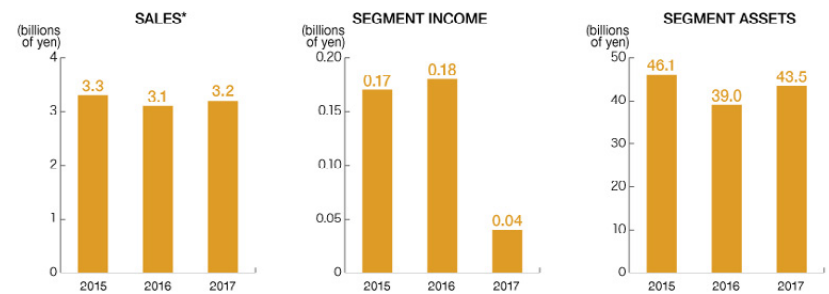
### ○ Discharge lamps, LED and LD

- UV lamps for manufacturing semiconductors, flat panel displays and electronic components
- Light sources for use in cinema projectors, data projectors, office automation equipment, illumination, and industry

### ○ Halogen Lamps

- For office automation equipment
- For illumination applications (commercial facilities, stage and studio lighting, specialized lighting and others)
- Industrial halogen heaters

### Machinery for Industrial Use and Other



\*Sales indicates sales to unaffiliated customers

- Plastic forming applications, peripheral machinery
- Machinery and systems for industrial use
- Others

## Business Overview

### Equipment Business

#### Financial Results

In the cinema area of the imaging equipment field, although sales volume of digital cinema projectors increased, unit prices continued to decline for small and medium-sized models, for which demand has been increasing. In general imaging equipment, sales of projectors for amusement parks and events trended firmly, but sales were sluggish primarily for small and medium-sized projectors for stationary imaging.

In the optical equipment field, sales were lackluster due to soft capital investment for lithography equipment for various electronic devices related to smartphones. However, sales increased for LCD panel manufacturing equipment, excimer cleaning units for organic electroluminescent displays (OLEDs) and direct image exposure systems for main substrates of next-generation smartphones.

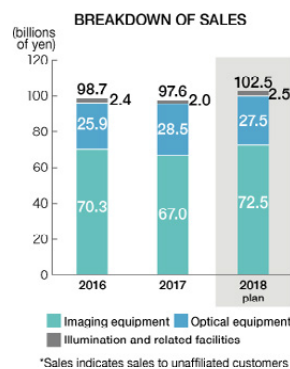
As a result, equipment business sales were ¥97,834 million, a decrease of 1.0% year on year. Segment income was ¥74 million.

#### Initiatives Ahead

In the cinema area of the imaging equipment field, we anticipate lower sales volume of lamp-based digital cinema projectors, but expect sales of laser projectors to increase. In the general imaging field, we forecast higher sales to the entertainment sector, as well as growth in new businesses such as stationary imaging systems for projection mapping.

In optical equipment, we expect higher demand for lithography equipment for sensor-type electronic parts. However, we are forecasting lower sales based on our strategy of emphasizing profits over sales growth.

Sales	2017	2018 (plan)
Imaging equipment	67.0	72.5
Optical equipment	28.5	27.5
Illumination and related facilities	2.0	2.5
Total	97.6	102.5



### Business Overview

### Light Sources Business

#### Financial Results

In discharge lamps, UV lamps for lithography saw an increase in replacement demand as users' operating rates remained high, in addition to an increase in capital investment by semiconductor-related manufacturers and OLED-related manufacturers. In xenon lamps for cinema projectors, although demand increased due to the continuing installation of new cinema screens primarily in China, sales were impacted by intensified price competition. Sales of lamps for data projectors increased due to growth in new products by end-product manufacturers.

Demand for halogen lamps for office automation applications declined, due to economic weakness in developing countries.

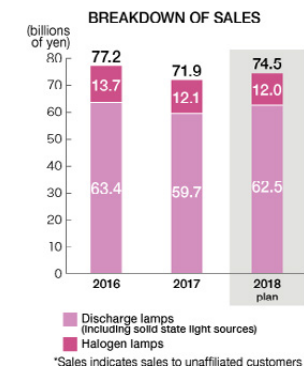
As a result, sales in the light sources business decreased by 5.8% year on year to ¥74,046 million. Segment profit was ¥8,119 million.

#### Initiatives Ahead

In discharge lamps, demand will likely increase for UV lamps for lithography and xenon lamps for cinema projectors, but there are concerns about the impact of a decline in unit prices in line with intensified price competition. Meanwhile, we expect solid-state light sources to drive sales growth based mainly on anticipated growth in demand for laser light sources for projectors.

Demand for halogen lamps is expected to remain mostly unchanged.

Sales	2017	2018 (plan)
Discharge lamps (including solid state light sources)	59.7	62.5
Halogen lamps	12.1	12.0
Total	71.9	74.5



ESG Information



ESG Information

Central Objectives

The USHIO Group recognizes that realizing the vision set forth in its Management Philosophy and promoting sustainable growth of the Company and increasing corporate value over the medium to long term will bring satisfaction to all stakeholders. In order to achieve this goal, the Company strives to ensure the transparency and efficiency of corporate management and to reinforce corporate governance for realizing speedy and resolute decision making.

Corporate Governance Framework

At the Annual General Meeting of Shareholders on June 29, 2016, USHIO transitioned from a company with an audit & supervisory board structure to a Company with Audit and Supervisory Committee.

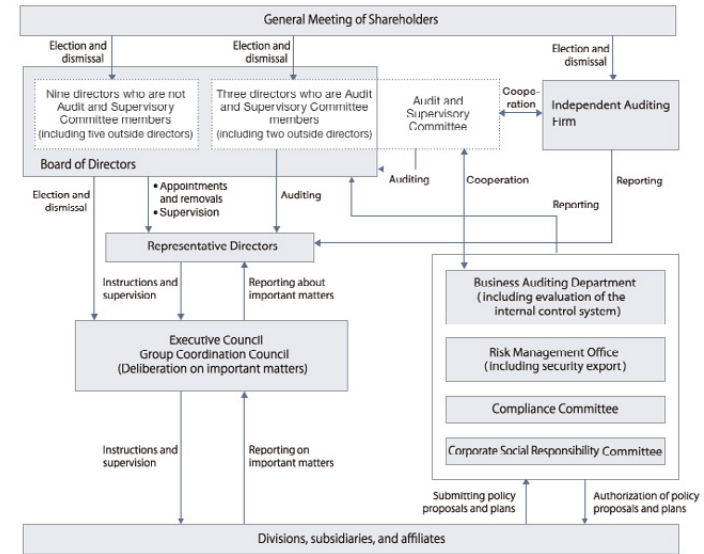
This transition will foster speedy decision-making by delegating decisions for certain important business matters from the Board of Directors to executive directors. It will also strengthen the supervisory function of the Board of Directors by ensuring that most of its members are outside directors. The new setup will also reinforce audit and supervisory functions by establishing an Audit and Supervisory Committee with the authority to assess the legality and validity of board members in performing their duties.

The Board of Directors comprises 12 directors. Nine are not Audit and Supervisory Committee members (including five outside directors) and three are Audit and Supervisory Committee members (including two outside directors). The Board of Directors oversees decision-making and business execution for top priority issues, including basic management policy.

Delegating decisions on certain important business execution to overseeing directors has accelerated decision-making. At the same time, the executive officer system has led to more accurate and speedier business execution. USHIO established the Executive Council and Group Coordination Council to discuss and report on priorities in business execution.

The Audit and Supervisory Committee which comprises three directors (including two outside directors) audits and oversees directors' performance of duties in line with its own audit and supervising standards. USHIO appointed a full-time Audit and Supervisory Committee member to enhance the efficacy of audits by collecting information from directors (excluding those who are also Audit and Supervisory Committee members) and employees and coordinating smoothly with the Internal Audit Department and independent Auditing Firm.

USHIO's Internal Control Framework



Stance on Corporate Governance Code

USHIO is reinforcing its corporate governance in line with the Corporate Governance Code of the Tokyo Stock Exchange. While it has yet to comply with the Supplementary Principle covering the analysis, evaluation, and disclosure of the Effectiveness of the Board of Directors, the Company recognizes the need to assess this area.

See the Corporate Governance Report for more details.

## ESG Information

## Message from a Director and Audit and Supervisory Committee Member

### Message from Audit and Supervisory Committee Member Yoneda

As a director and Audit and Supervisory Committee member, I am especially careful to speak without hesitation from my own experience, beliefs, and philosophy. The most important aspect in carrying out the duties of an Audit and Supervisory Committee member is to coordinate closely with the Internal Audit Department, which is responsible for onsite audits. I am committed to strengthening the ability of the Internal Audit Department to gather and communicate information as the provider of information for making decisions, and to upgrading and improving the auditing environment.



Masanori Yoneda  
Outside Director  
Audit & Supervisory Committee Member

Meanwhile, I have high expectations of USHIO's initiatives to achieve the targets of its newly announced Medium-term Management Plan (fiscal 2016 to fiscal 2018). As every department and employee works in unison to execute the Company's measures, I aim to confirm their sense of commitment and the level of penetration and entrenchment of awareness among the key people in my auditing activities going forward.

### Message from Audit and Supervisory Committee Member Yamaguchi

A year has passed since the Company made its transition to the Company with Audit and Supervisory Committee system in June 2016. Subsequently, I have been able to engage in lively discussion on the direction of corporate strategy and so forth, and to provide highly effective supervision of the management team and the directors from an objective standpoint as an independent outside director. At the same time, I have felt a definite increase in the speed of transformation.



Nobuyoshi Yamaguchi  
Outside Director  
Audit & Supervisory Committee Member

The Audit and Supervisory Committee's basic function is to audit the validity and effectiveness of business execution by each executive division. The committee coordinated with the Internal Audit Department to verify whether each workplace was operating in accordance with the Management Philosophy of the USHIO Group, and so forth. At the same time, the committee holds regular and ad hoc interviews with internal divisions such as the management team and subsidiaries.

As a director and Audit and Supervisory Committee member, I check that the Company's internal controls are functioning effectively, and strive to see that all of the management team have a common awareness of issues. As the USHIO Group works to fully realize the possibilities of light, I expect it to grow rapidly as a "light company" with an indispensable role in society.

## Stance on Directors Remuneration and Decision Making Approach

The remuneration system comprises monetary compensation and stock-based compensation consisting of a basic amount based on position and an amount determined based on operating performance and performance evaluation. Resolutions by the Board of Directors regarding remuneration are reached based on deliberation conducted in advance by the Remuneration Advisory Committee, which consists of a chairperson and a majority of outside director members. This composition is from the perspective of ensuring fairness and appropriateness regarding the remuneration system and standards and the assessment of contribution to the Company's operating performance.

### Total Remuneration and Other Payments by Director Category, Total Amounts by Types of Remuneration, and Other Payments and Number of Eligible Directors

Director categories	Total remuneration and other payments (millions of yen)	Total amounts types of remuneration and other payments (millions of yen)					Number of eligible directors
		Basic compensation	Stock options	Bonuses	Stock-based compensation for directors	Retirement benefits	
Directors (excluding outside Audit and Supervisory Committee members, directors)	271	249	—	—	21	—	8
Directors (Audit and Supervisory Committee members) (excluding outside directors)	20	20	—	—	—	—	1
Audit and Supervisory Committee members (excluding outside members)	7	7	—	—	—	—	2
Outside directors	51	51	—	—	—	—	10

Note: Stock-based compensation for directors is based on expenses recorded in the consolidated financial results for the fiscal year ended March 31, 2017, under Japanese GAAP.



## ESG Information

**Internal Auditing and the Audit and Supervisory Committee Audits**

The Internal Audit Department performs on-site audits to check the appropriateness of operational controls and procedures. The department submits an annual audit plan to the Audit and Supervisory Committee and explains its specific auditing policies. It also reports as necessary to the committee on the results of internal audits.

The Independent Auditor submits annual plans to the Audit and Supervisory Committee and explains its specific auditing policies. It also presents reports summarizing reviews and audit results for quarterly reviews and accounting audits for quarterly and year-end results.

The Audit and Supervisory Committee, Internal Audit Department and independent auditor exchange information and opinions and cooperate with each other.

**Compliance**

USHIO has established "10 Action Guidelines" in order to define standards for behavior that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation, and Management Philosophy. The Compliance Committee is responsible for ensuring that employees observe these guidelines. The Business Auditing Department and Compliance Committee jointly perform audits to monitor the status of compliance and submit audit reports as necessary to the Board of Directors and Audit and Supervisory Committee. Furthermore, information involving the performance of directors' duties is recorded, stored, and managed, in documentary and electronic formats. This enables the directors and Audit and Supervisory Committee members to view the information at any time and take timely and appropriate action as required.

To reinforce awareness of the importance of compliance, all Group companies use USHIO's standards for behavior and other guidelines and the Business Auditing Department performs audits of the Group companies.

**Risk Management**

In its risk management regulations, USHIO has specified departments responsible for respective risk categories, including compliance, the environment, product quality, finance, legal matters, natural and other disasters, information management, and export controls. Each responsible department is to establish rules and guidelines, conduct training, and produce and distribute manuals and so forth. When a new risk emerges, a director or an executive officer is to be promptly appointed to take responsibility for handling it. Furthermore, if a risk materializes and is expected to incur significant damage, the responsible director or executive officer is to report it promptly to the Board of Directors.

**USHIO Acquires and Holds a Variety of Information in the Course of Conducting its Business Operations.**

We are well aware of the importance of safeguarding information about customers and suppliers, personal information, confidential business information and other important information, and have established rules for the proper handling of this information. There are stringent requirements concerning the protection of confidential information, whether the information is internal or related to a customer or business partner. Another priority is compliance with Japan's Personal Information Protection Law.

To reinforce everyone's commitment to complying with this law and ensure its effective enforcement, all USHIO departments use a cycle of self-assessments to determine the status of compliance and carry out continuous improvements based on these assessments. IC cards are one way that the USHIO protects information. We use these cards to keep track of when employees enter and leave particular rooms and record their working hours. IC cards restrict access to sensitive areas and keep records of when employees enter these areas, which helps prevent unauthorized access to important information. We also take measures to strengthen device security, preventing inappropriate access from any but designated devices (PCs, tablets, smartphones) to reduce the risk of information leaks. Using servers for the centralized oversight of computer software assets and computer virus protection is another measure that protects information, which upgrades our ability to manage information while reducing the amount of time and resources needed. For confidential information received from customers and suppliers, we have regulations covering every step from the receipt and storage of information to its ultimate disposal and perform periodic checks of the system. Customers and business partners perform on-site confirmations of our information security measures. We study the results of these confirmations to reexamine and reinforce information security measures and how they are used.

ESG Information

Directors

Directors (As of June 29, 2017)



**Jiro Ushio**  
Chairman and USHIO Group Representative



**Kenji Hamashima**  
President and Chief Executive Officer



**Sakie T. Fukushima**  
Outside Director



**Nobuyuki Kobayashi**  
Director (Audit & Supervisory Committee Member (Full-time))



**Shiro Ushio**  
Director Chairman, USHIO LIGHTING, INC.



**Hiroaki Banno**  
Director General Manager, SSLS Headquarters



**Masanori Yoneda**  
Outside Director (Audit & Supervisory Committee Member)



**Nobuyoshi Yamaguchi**  
Outside Director (Audit & Supervisory Committee Member)



**Tadashi Nakamae**  
Outside Director



**Yoshinari Hara**  
Outside Director

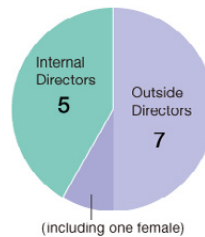


**Yasufumi Kanemaru**  
Outside Director

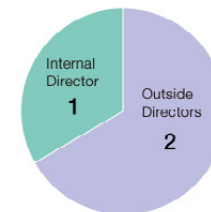


**Shuichi Hattori**  
Outside Director

Board of Directors



Director and Audit & Supervisory Committee Members



ESG Information

CSR Information

Approach to Corporate Social Responsibility (CSR)

We consider that a corporate citizen should observe compliance, contribute to society, and take steps to protect the environment. These are the foundations of all corporate activity.

In addition, a corporation should build good relationships with its various stakeholders and advance by creating and offering new value to contribute to society. This is the kind of corporation that USHIO is working to become.

Activity Highlights

CSR Action Plan

USHIO has created a CSR Action Plan (Policy) and taken steps to reinforce its CSR initiatives. Through dialogue with stakeholders, we have identified relationships between various social issues and our core businesses. To emphasize carrying out initiatives in line with our business strategy, we have set out basic principles in our Action Plan, which we incorporate into the strategies of each division and department.

In formulating the CSR Action Plan, the CSR Committee and other related organizations investigated CSR factors of the USHIO's business activities from various angles, while giving consideration to the 7 core subjects of ISO 26000 and many other sources of guidance and guidelines. As a result, the Group's issues were classified under the five pillars of governance, people, quality, society, and environment. These items are then broken down further into action policies. Currently the CSR Action Plan shows USHIO's CSR framework while forming the underlying philosophy for business planning at each business division and Group company. The Action Plan is modified each year to reflect the results of the listening survey.

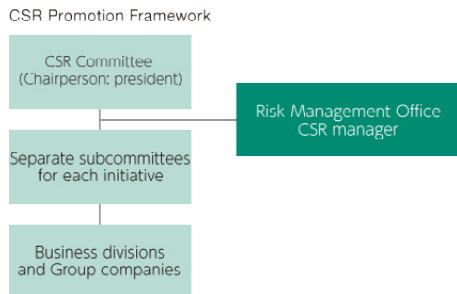
USHIO's CSR Action Plan for the fiscal year ending March 31, 2018

Five Issues	CSR Action Plan
<p><b>GOVERNANCE</b> (Ensure transparency in sequences of business activities, information disclosure, compliance with laws and regulations and international rules, prevention of corruption, risk management, and others)</p>	<ul style="list-style-type: none"> <li>Strengthen information security</li> <li>Promote business continuity management</li> <li>Strengthen measures to prevent corruption</li> <li>Provide information for investors in Group CSR activities</li> <li>Strengthen Group CSR activities (share information, common targets, grasp needs, etc.)</li> <li>Enhance disclosure of non-financial information</li> <li>Initiatives to maintain transparency on tax issues</li> <li>Strengthen initiatives regarding the Corporate Governance Code</li> </ul>
<p><b>PEOPLE</b> (Eradicate discrimination, respect diversity, respect the rights of all people related to operations to survive and live, eliminate harassment, ensure worker health and safety, prevention of child labor, forced labor, and slave labor, avoid complicity in human rights infringements)</p>	<ul style="list-style-type: none"> <li>Eradicate discrimination, respect diversity to promote use for human resources in the Company</li> <li>Maintain a comfortable work environment (eliminate harassment, ensure appropriate worker health and safety)</li> <li>Strengthen the development of human resources that contribute to the maintenance and the improvement of long-term business activities</li> <li>Promote work-life balance</li> <li>Conduct human rights education</li> <li>Strengthen monitoring of worker health and safety</li> <li>Promote innovation through respect for human rights, transformation of work styles, and raise awareness</li> </ul>
<p><b>QUALITY</b> (Realize attractive quality overall, not only in products, but also in concepts and service provision, including observance of market rules and guidelines)</p>	<ul style="list-style-type: none"> <li>Pure customer satisfaction improvement, with the greatest emphasis on the customers' perspective</li> <li>Quality target and plan development</li> <li>ISO 9001 certification for quality management systems: transition to 2015 version and make improvements (faster speed, slimmer organization)</li> <li>Matters related to strengthening the supply chain (Promote green procurement and CSR procurement, promote activities with an awareness of the basic policy on conflict minerals, practice due diligence on human rights)</li> <li>Strengthen global quality assurance system</li> <li>Product safety assessment</li> <li>Enhance supplier CSR monitoring</li> </ul>
<p><b>SOCIETY</b> (Maintain relationships with local communities, involvement with international society, contribution to education, culture, etc., social contributions through business such as products and services)</p>	<ul style="list-style-type: none"> <li>Foster social awareness by encouraging active participation in social contribution activities, community exchanges, volunteer and pro bono activities</li> <li>Promote business that contributes to global social issues such as business in emerging countries</li> <li>Promote participation in volunteer activities</li> </ul>
<p><b>ENVIRONMENT</b> (Disclose information on greenhouse gas and other emissions affected by corporate activities, impacts on climate change and ecosystems, consideration for resource limitations, management of dangerous waste and hazardous chemicals, etc.)</p>	<ul style="list-style-type: none"> <li>Targets and initiatives based on Phase Five of the Environmental Action Plan                         <ul style="list-style-type: none"> <li>ISO 14001 certification for environmental management systems: transition to 2015 version</li> <li>Strengthen safe, secure and environmentally friendly solutions through product development</li> <li>Reduce CO<sub>2</sub> emissions in business activities: reduce CO<sub>2</sub> by 3% from fiscal 2015 levels on a sales unit basis</li> <li>Advance CSR procurement as a group</li> <li>Strengthen chemical substance management</li> </ul> </li> <li>Evaluate Group progress on Environmental Action Plan</li> <li>Strengthen management of waste and of recycling</li> </ul>

ESG Information

CSR Promotion Framework

USHIO has established a CSR Committee, which is chaired by the president. The committee decides on policies for the whole Company relating to CSR initiatives. The CSR Committee establishes subcommittees as needed to oversee practical implementation of the policies it has decided, and discusses specific initiatives and ways to promote them.



At the 26th CSR Committee held in May 2016, the members reached an agreement on a new CSR medium-term plan following a discussion about the next initiatives to take after the previous CSR medium-term plan ended on March 31, 2016, deciding to redouble efforts on matters that take precedence (materiality) and to broaden the scope of Group efforts (boundaries).

USHIO intends to enhance corporate value from a long-term perspective through measures to strengthen its presence in fields where it aims to advance as a corporation while enhancing social contributions, and to come together as a group determined to improve corporate value.

United Nations Global Compact's Ten Principles

USHIO has declared its support for the United Nations Global Compact of principles concerning human rights, labor standards, the environment and anti-corruption. We have joined the local UN network supporting the compact, Global Compact Network Japan, and are working to promote all facets of CSR among the many other participating companies and NGOs. To this end, we are continuing to play an active role in sectional activities for sharing information on necessary specific measures, and enhancing the activities of each company.



Ten Principles of the United National Global Compact

	United Nations Global Compact's Ten Principles and Our Initiatives	USHIO's Related Initiatives
Human Rights	<p><b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p><b>Principle 2</b> make sure that they are not complicit in human rights abuses.</p>	The third section of USHIO's 10 Action Guidelines sets out clear requirements for respecting basic human rights for all people, and prohibits unfair discrimination, among other measures.
	<p><b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4</b> the elimination of all forms of forced and compulsory labor;</p> <p><b>Principle 5</b> the effective abolition of child labor; and</p> <p><b>Principle 6</b> the elimination of discrimination in respect of employment and occupation.</p>	The USHIO Group respects the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Under the third section of USHIO's 10 Action Guidelines, the Company strives to promote good labor-management relations, abolish discrimination in the workplace, and create working environments that are cheerful, safe, and comfortable.
Environment	<p><b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9</b> encourage the development and diffusion of environmentally friendly technologies.</p>	Section 8 of USHIO's 10 Action Guidelines clearly states the Company's position on actively working to protect the environment. We also formulated our 2020 Environmental Vision and are now working to implement Phase Three of the Environmental Action Plan.
Anti-Corruption	<p><b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	Under section 6 of the 10 Action Guidelines, USHIO strives to prevent corruption and to conduct fair business activities. We have also set up a Compliance Committee and the USHIO Hotline (internal reporting system).

For more information about the USHIO Group's CSR initiatives, please visit our corporate website.

<http://www.ushio.co.jp/en/csr/>

Sustainability Report 2017 (PDF) update schedule: Japanese version: End of October English version: End of November

## Financial Information

### Financial Review

USHIO INC. and Consolidated Subsidiaries  
Year ended March 31, 2017

The USHIO Group—comprising the parent company, 55 consolidated subsidiaries and 1 equity-method affiliate—engages mainly in manufacturing and marketing light sources, equipment, and machinery for industrial uses. The Group also engages in research and development and provides other services related to its businesses.

### Economic Trends and USHIO's Response

In the fiscal year ended March 31, 2017, the global economy continued to face an uncertain outlook, based on the possibility of changes in the economic policy direction of the U.S., following the inception of the new administration, although the U.S. economy remained on a gradual recovery footing. Another factor contributing to the uncertainty was the continued economic slowdown in China and developing markets. The Japanese economy followed a gradual recovery path, as corporate earnings, employment conditions and personal spending all showed signs of improvement.

In the cinema-related markets, which are key markets for the USHIO Group's imaging equipment and light sources, the number of screens continues to increase in developing markets, including China.

In the electronics market, a key market for the USHIO Group's optical equipment and light sources, demand increased for electronic components and small and medium-sized LCD panels for high-end smartphones.

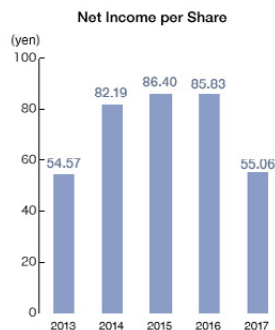
Under these economic conditions, the USHIO Group took steps to bolster Group-wide synergies, including expanding visual imaging business solutions. In addition, the Group actively executed R&D investments in new technologies and products for the future, in fields such as the science and biomedical businesses.

### Earnings

During the fiscal year ended March 31, 2017, both sales and income decreased.

#### Net Sales

Consolidated net sales decreased 3.5% year on year to ¥172,840 million. In the light sources business, sales decreased due to the foreign exchange impact of the yen's appreciation against the dollar. In the equipment business, in addition to the foreign exchange impact, sales decreased mainly due to environmental changes and intensified competition in the imaging equipment market.



#### Operating Income

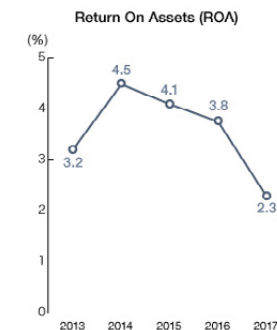
Operating income decreased by 34.5% year on year to ¥8,602 million. The USHIO Group implemented structural reform in connection with deteriorating business performance in the imaging equipment sub-segment, but this did not fully cover worsening profitability at the gross profit level.

#### Ordinary Income

Ordinary income declined 24.8% year on year to ¥11,001 million. This decline reflected the foreign exchange impact, despite the recording of realized and unrealized gain on trading securities, net.

#### Net Income Attributable to Owners of Parent

Net income attributable to owners of parent declined 36.6% to ¥7,042 million. This decrease was mainly due to the posting of extraordinary losses such as business structural reform expenses, which were offset partly by the recording of a gain on sales of investment securities.



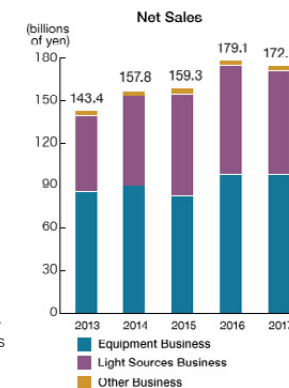
### Results by Business Segment

#### Equipment Business

The equipment business saw sales decrease 1.0% year on year to ¥97,834 million, recording segment income of ¥74 million, down 95.7% year on year.

In the imaging equipment sub-segment of the business, in the cinema field, digital cinema projectors saw an increase in sales volume, but unit prices continued to decline for small and medium-sized models, for which demand has been increasing. In general imaging equipment, while the USHIO Group posted solid sales of imaging equipment for entertainment, primarily amusement parks and various events, but sales were sluggish primarily for small and medium-sized projectors for stationary imaging.

In the optical equipment sub-segment, sales were lackluster due to soft capital investment for lithography equipment for various electronic devices related to smartphones. However, sales increased for LCD panel manufacturing equipment, excimer cleaning unit for organic EL displays, and direct image exposure systems for main substrates of next-generation smartphones.



### ○ Light Sources Business

Sales in the light sources business decreased by 5.8% year on year to ¥74,046 million. Segment profit was down 26.0% year on year to ¥8,119 million.

In discharge lamps, UV lamps for lithography saw an increase in replacement demand as users' operating rates remained high, in addition to an increase in capital investment by semiconductor-related manufacturers and OLED-related manufacturers. Meanwhile, in xenon lamps for digital cinema projectors, although demand increased due to the continuing installation of new cinema screens primarily in China, sales were impacted by intensified price competition. Sales of lamps for data projectors increased due to growth in new products by end-product manufacturers.

Demand for halogen lamps for office automation applications declined, due to economic weakness in developing countries.

### ○ Other Businesses

Sales in other businesses increased by 2.8% year on year to ¥3,307 million and segment profit decreased by 77.0% year on year to ¥41 million. In other businesses, the USHIO Group posted higher sales of mold protection systems that monitor the injection-molding process, despite sluggish sales of packaging machinery, leading to the higher sales and lower segment profit.

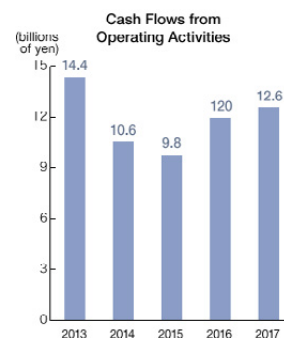
## Sources of Funds and Liquidity

### ○ Cash Flows

Cash and cash equivalents on March 31, 2017 totaled ¥50,974 million, up ¥3,161 million from the previous fiscal year-end. Cash flows are broken down as follows:

### ○ Cash Flows from Operating Activities

Operating activities in the fiscal year ended March 31, 2017 provided net cash of ¥12,624 million (compared with net cash of ¥12,031 million provided in the previous year). The main positive contributions to this result were ¥11,617 million in profit before income taxes, a ¥6,587 million adjustment for depreciation, and a ¥2,733 million decrease in inventories. Meanwhile, factors reducing cash included a ¥2,761 million gain on sales of investment securities, a ¥3,850 million increase in notes and accounts receivable – trade, and income taxes paid of ¥2,455 million.



### ○ Cash Flows from Investing Activities

Investing activities used net cash of ¥15,254 million (compared with net cash used of ¥10,367 million in the previous fiscal year). The main factors increasing cash were proceeds from withdrawal of time deposits of ¥10,493 million, proceeds from sales and redemption of securities of ¥5,992 million and proceeds from sales and redemption of investment securities of ¥6,164 million. The main factors decreasing cash were payments into time deposits of ¥15,090 million, purchase of securities of ¥3,197 million, purchase of property, plant and equipment of ¥8,828 million, and purchase of investment securities of ¥10,467 million.

### ○ Cash Flows from Financing Activities

Financing activities provided net cash of ¥6,864 million (compared with ¥7,849 million used in the previous fiscal year). The main factor increasing cash was proceeds from long-term loans payable of ¥15,601 million. Against this, factors decreasing cash included repayment of long-term loans payable of ¥3,376 million, purchase of treasury shares of ¥1,201 million, cash dividends paid totaling ¥3,347 million and payments from purchases of shares in subsidiaries not resulting in a change in scope of consolidation of ¥1,591 million.

## Financial Position

### ○ Assets

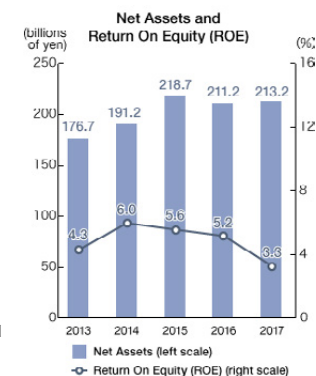
At the fiscal year-end, assets totaled ¥308,430 million, an increase of ¥13,905 million from the previous fiscal year-end. The main factors behind this increase were increases in cash and deposits in line with an increase in bank loans, and investment securities due to the purchase of bonds.

### ○ Liabilities

At the fiscal year-end, liabilities totaled ¥95,141 million, an increase of ¥11,912 million from the previous fiscal year-end. The main factors behind this increase were increases in short-term loans payable to meet demand for working capital and long-term loans payable.

### ○ Net assets

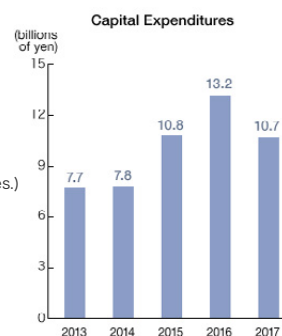
At the fiscal year-end, net assets totaled ¥213,289 million, an increase of ¥1,993 million from the previous fiscal year-end. The main factor behind this increase was an increase in retained earnings due to the recording of profit. The main factor decreasing net assets was an increase in treasury shares, at cost due to the purchase of treasury shares.



## Capital Expenditures

The USHIO Group's capital expenditures for the fiscal year ended March 31, 2017 were ¥10,740 million. The bulk of this expenditure was for capital investment in the light sources and equipment businesses, with investments focused on building up existing facilities, as well as on businesses promising growth in future, and research and development. A breakdown of capital expenditures for the fiscal year was as follows. (Figures are calculated on an acceptance basis for property, plant and equipment, intangible fixed assets, and long-term prepaid expenses. Amounts do not include consumption tax or other levies.)

	2017	YoY Change
Light sources business	¥4,971 million	84.7%
Equipment business	¥4,203 million	61.2%
Other businesses	¥1,565 million	324.9%
Total capital expenditures	¥10,740 million	81.2%



Capital expenditures decreased in the fiscal year ended March 31, 2017. This reflected the fact that in every segment the Group selected investments rigorously, focusing on capital efficiency.

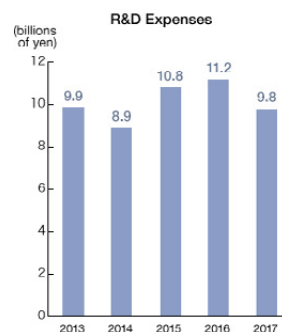
The USHIO Group's investments focused mainly on the equipment and light sources businesses. In the equipment business, the Group focused its expenditure on optical equipment including lithography equipment and optical processing equipment targeting diversifying market needs, as well as laser projectors and sound systems in visual imaging fields, and simulation systems and virtual reality in general imaging fields. In the light sources business, the Group focused primarily on expenditure to maintain its high quality and technological advantages and to expand its solid state light sources (LEDs and laser diodes) business.

The Group funded its capital expenditures with a combination of internally generated funds and borrowings.

Loss on disposal of plant, property and equipment was ¥91 million, due to the disposal of plant facilities such as buildings and machinery in the light sources and equipment businesses.

## Research and Development

Group-wide R&D expenses totaled ¥9,812 million. Most of this was spent in the light sources and equipment businesses. The main targets of the Group's R&D were light sources for industrial applications for development and production, which included work use and application of optical applications in electronic and electromechanical equipment, moving ahead with development of indispensable peripheral technologies and development for commercialization of optical units, optical equipment and systemization. The Company stepped up its efforts to keep abreast of the latest developments in markets and technology and conducted strategic R&D activities. It is organized in a way that enables interaction among the R&D teams from different product groups to encourage development of new kinds of light sources and equipment. R&D expenses in every segment include inter-segment transactions.



The USHIO Group's key achievements during the fiscal year ended March 31, 2017 were as follows:

## Light Sources Business

### Development of Red Laser Diode with Collimator Lens

Our subsidiary USHIO OPTO SEMICONDUCTORS, INC. developed a red laser diode with a collimator lens. The product features a red laser diode with high output power, fitted with a collimator lens, which makes it easy for customers to use.

This red laser diode with high output power is intended for use as a solid state light source in cinema and industrial projectors. As such, this product offers prospects for future growth. This subsidiary is thus working to develop products with even higher output power. In blue-violet laser diodes, the subsidiary is also pushing ahead with the development of products with even higher output power for use in direct imaging exposure systems.

R&D expenses for the light sources business totaled ¥4,443 million.

## Equipment Business

### (1) Development of Roll to Roll Direct Imaging Exposure System

Our subsidiary ADTEC Engineering Co., Ltd. developed a roll to roll direct imaging exposure system for the flexible printed circuit board industry. The new system has superior correction functions and does not require photo masks compared with conventional contact-type roll to roll exposure systems. Given that the original direct imaging exposure system that serves as the basis for the new system is dedicated to single-wafer processing, this subsidiary developed new processing methods such as feed and mount methods. As a result, the subsidiary successfully completed the development of a new roll to roll direct imaging exposure system with a 15  $\mu$ m resolution.

### (2) Development of Next-Generation RGB Laser Projection Systems

Our subsidiary CHRISTIE DIGITAL SYSTEMS CANADA INC. developed high-brightness, high-image quality next-generation projection systems using RGB lasers for the cinema market. These next-generation projection systems are expected to steadily penetrate the market going forward. This subsidiary has simplified and reduced the size of the projector structure by using a high-output red laser device (MDP) and direct green lasers, which have been adopted for the first time for use in a projection system, thereby achieving significantly lower manufacturing costs. Moreover, taking full advantage of RGB laser beam characteristics, the new projection systems realize a maximum contrast ratio of 5000:1, which is higher than conventional lamp-based projectors. The development of next-generation projectors is expected to revolutionize the cinema industry.

The subsidiary will work to develop various derivative models based on optical systems designed for this newly developed projection system, targeting the general projection systems market outside the cinema market.

R&D expenses for the equipment business totaled ¥5,320 million.

## Issues to Be Addressed

The USHIO Group has been facing slowing growth in its existing markets. Accordingly, the Group believes that its key business priorities are to accelerate entry into new markets and the creation of new businesses, in conjunction with maintaining high shares and profitability in existing markets. In addition, in the light sources business, there has been gradual progress on the adoption of solid state light sources that will replace conventional lamps. With this in mind, the Group will steadily advance the solid-state light source business as another crucial business priority.

To implement these priorities, the Group will enhance its product lineup to respond to diversifying market needs, reduce manufacturing costs throughout its operations, and improve quality and productivity. In addition, the Group will endeavor to expand and reinforce its manufacturing bases as well as its sales bases and networks both in Japan and overseas. In doing so, it aims to optimize its service structure. At the same time, the Group will take steps to develop a proposal-oriented total-solution type business leveraging the strengths of existing technologies and products, as well as measures to harness open innovation, in order to expand its sales of high value-added light sources, optical

equipment, and imaging equipment not only in existing markets but also in new markets around the world. Backed by its solid financial base, the Group will also seek to develop dynamic businesses by proactively undertaking synergy-driven M&As, business partnerships and related actions.

Moreover, the Group's financial priority is to steadily achieve the balanced allocation of capital in connection with investments in growth and shareholder returns, while maintaining sound financial health.

The USHIO Group regards environmental issues as a key management concern in terms of corporate social responsibility, and will continue to take active steps to save energy and resources, cut waste, increase recycling, and otherwise reduce its environmental footprint.

Meanwhile, the Group will continue with measures to ensure that it merits the trust of all its stakeholders. These will involve optimizing its internal control systems by bolstering corporate governance and compliance, and ensuring continued stability in its operations by putting in place the best possible provision for risk management including business continuity planning.

## Risks

Below is a summary of risks that could affect the USHIO Group's business performance, financial position, and cash flow adversely and materially.

These are the risks determined by the Group as of June 29, 2017. This is only a partial listing, and the Group faces risks other than those cited here that could also affect its business performance, financial position, and cash flow materially.

### (1) Fluctuations in Demand in the Semiconductor and LCD Industries

The Group's business performance is affected by fluctuations in demand in the semiconductor and LCD industries. Currently, the USHIO Group's product line includes lamps for manufacturing equipment. These products are consumables, and demand for these lamps is generally steady as long as customer plants are operating. However, the semiconductor and LCD manufacturing equipment the Group handles is affected by changes in demand for products in the short-term and the medium-to-long-term, as well as by technological developments, which can materially affect the Group's business performance and financial position.

### (2) Fluctuations in Market Demand for Illumination and Irradiation Light Sources

In addition to the semiconductor and LCD panel fields, the Group supplies light sources that are included in data projectors and digital cinema projectors and for illumination. Trends in technology and fluctuations in prices and demand for these light sources could materially affect the Group's business performance and financial position.

### (3) Fluctuations in Demand in Imaging Equipment

The Group supplies cinema projectors and large projectors for business use. Fluctuations in demand in business areas, technical trends in the market, and fluctuations in prices could have a material impact on the Group's business performance and financial position.

### (4) Access to Raw Materials

The Group relies on externally sourced raw materials that it obtains from a broad range of suppliers to ensure the steady supply of high-quality materials at stable prices. In particular, rare metals such as tungsten and molybdenum and specialty gas are the essential raw materials for manufacturing lamps. Supply shortages or price increases of these materials may boost manufacturing costs and materially affect the Group's business performance and financial position.

### (5) Cross-Border Activities and Entering Overseas Markets

The Group conducts manufacturing and sales activities in regions outside Japan, such as other Asian nations, North America, and Europe. Entry into these overseas markets is accompanied by potential risks in each country, such as changes in various rules and regulations, instability in securing human resources, underdeveloped infrastructure, and social unrest. If realized, these risks could materially affect the Group's business performance and financial position.

### (6) Intellectual Property

The Group operates in business sectors characterized by frequent technological advances. Protecting, maintaining, and managing patents, trademarks, and other intellectual property are key factors to remaining competitive and maintaining a market share in those business sectors. Litigation could arise if a third party were to infringe on the Group's intellectual property rights, or if the Group were to infringe on a third party's intellectual property rights. In addition, the patent authorities could refuse patent applications submitted by the Group. Events such as these which would significantly compromise the Group's protection of its intellectual property rights, could affect the Group's business performance and financial position materially.

### (7) Currency Exchange Rates

The Group conducts its commercial and financial operations such as investments and loans in yen and in other currencies. Profits and losses in the Group's commercial and financial operations conducted in foreign currencies are subject to the influence of fluctuations in currency exchange rates. The Group uses forward exchange contracts to moderate currency exchange risk, but it cannot negate this risk completely. Fluctuations in the foreign exchange rates could therefore materially affect the Group's business performance and financial position.

### (8) Fluctuations in Prices of Marketable Securities

The Group holds marketable securities as financial assets. Depending on stock market and other conditions, the fair value of these securities could decline. Therefore, the Group is exposed to the risk of fluctuations in the prices of marketable securities, which could affect the Group's business performance and financial position materially.

## Important Management Contracts

There are no important contracts to report.



## Corporate Data

## Established

March 1964

## Paid-in Capital

¥19,556,326,316

## Directors (As of June 29, 2017)

Chairman and USHIO Group Representative	Jiro Ushio	Director (Audit & Supervisory Committee Member (Full-time))	Nobuyuki Kobayashi
President and Chief Executive Officer	Kenji Hamashima	Outside Director (Audit & Supervisory Committee Member)	Masanori Yoneda
Director	Shiro Ushio	Outside Director (Audit & Supervisory Committee Member)	Nobuyoshi Yamaguchi
Director	Hiroaki Banno		
Outside Director	Tadashi Nakamae		
Outside Director	Yoshinari Hara		
Outside Director	Yasufumi Kanemaru		
Outside Director	Shuichi Hattori		
Outside Director	Sakie T. Fukushima		

## Employees (as of March 31, 2017)

Company Subsidiaries	1,703
Japanese Subsidiaries	869
Overseas Subsidiaries	3,391
<b>Total</b>	<b>5,963</b>

## Group Companies (57 companies) (as of March 31, 2017)

## Parent Company

Head Office	Chiyoda, Tokyo
Harima Division	Himeji, Hyogo Prefecture
Gotemba Division	Gotemba, Shizuoka Prefecture
Yokohama Division	Yokohama, Kanagawa Prefecture
Osaka Branch	Osaka, Osaka Prefecture

## Japanese Subsidiaries (10 companies)

USHIO LIGHTING, INC.
XEBEX INC.
ADTEC Engineering Co., Ltd.
PROTOSERA INC.
USHIO OPTO SEMICONDUCTORS, INC.

5 other companies

## Overseas Subsidiaries (46 companies)

## North America

- USHIO AMERICA, INC.
- CHRISTIE DIGITAL SYSTEMS USA, INC.
- CHRISTIE DIGITAL SYSTEMS CANADA INC.
- CHRISTIE MEDICAL HOLDINGS, INC.
- NECSEL INTELLECTUAL PROPERTY, INC.

## Europe

- USHIO EUROPE B.V.
- USHIO FRANCE S.A.R.L.
- USHIO DEUTSCHLAND GmbH
- USHIO U.K., LTD.
- BLV Licht-und Vakuumtechnik GmbH

## Asia

- USHIO HONG KONG LTD.
- USHIO TAIWAN, INC.
- USHIO PHILIPPINES, INC.
- USHIO (SUZHOU) CO., LTD.
- USHIO ASIA PACIFIC PTE. LTD.
- USHIO KOREA, INC.
- USHIO SHANGHAI, INC.
- USHIO SHENZHEN, INC.

27 other companies

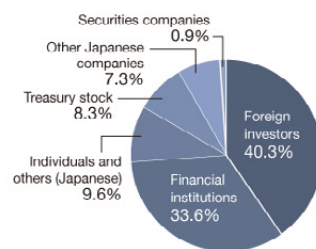
Investor Information

Stock Information (As of March 31, 2017)

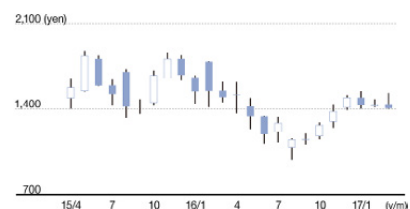
Stock Information

Total Number of Shares Issued	139,628,721
Number of Shareholders	11,523

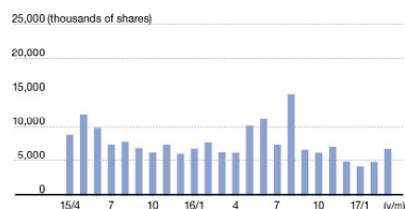
Composition of Shareholders



Stock Price Movement



Stock Turnover



Major Shareholders (Holding 2 million shares or more)

Name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,245	5.90%
Resona Bank, Limited.	6,319	4.52%
STATE STREET BANK CLIENT OMNIBUS OM04	6,052	4.33%
Japan Trustee Services Bank, Ltd. (Trust Account)	5,093	3.64%
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,324	3.09%
Aioi Nissay Dowa Insurance Co., Ltd.	4,274	3.06%
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUND	4,258	3.05%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,248	3.04%
Asahi Mutual Life Insurance Co.	3,305	2.36%
Jiro Ushio	3,136	2.24%
NORTHERN TRUST CO. (AVFC) RE – SSD00	2,925	2.09%
JP MORGAN CHASE BANK 385174	2,919	2.09%
THE USHIO FOUNDATION	2,400	1.71%
STATE STREET BANK AND TRUST COMPANY 505103	2,302	1.64%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,229	1.59%

\* In addition to the above, the Company owns 11,568 thousand shares of treasury stock. These 11,568 thousand shares of treasury stock do not include 299 thousand shares of the Company's stock held in a trust account in connection with a stock-based compensation plan for executives.

\* Each of the investment banks listed in the upper portion of the major shareholders table manages securities held primarily by Japanese institutional investors and is also the nominee for these investors. Trust accounts denote accounts that receive trusts such as pension trusts, investment trusts, and designated monies in trust from the institutional investors concerned.



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