



Optorun Co., Ltd.
Financial Results(2 Q 2020)

Summary of Q2 FY12/2020 Results

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Financial Highlights (H1 2020)

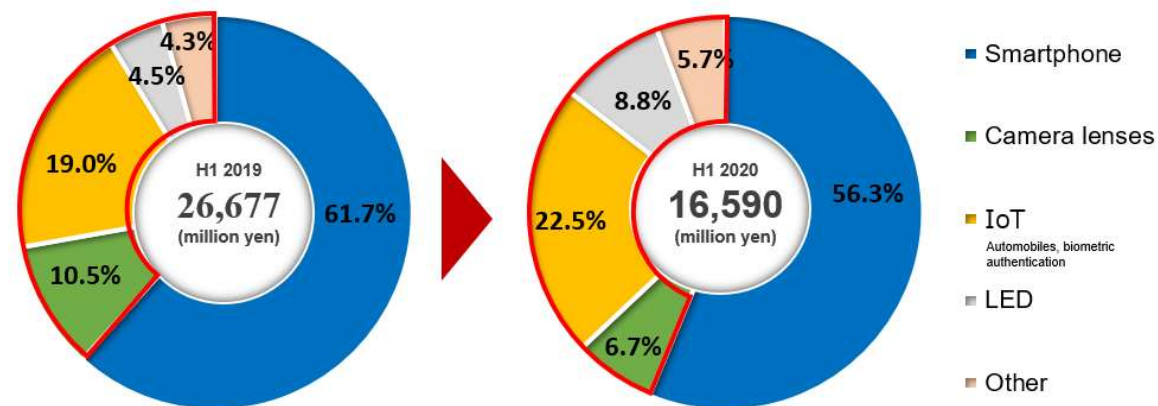
- Net sales declined YoY, largely due to the fact that the sales completion in the previous year has turned this term a period for receiving new orders from the North American smartphone manufacturer. Sales to Chinese customers performed fairly well despite certain negative impact from COVID19.
- Sales for camera lense application were affected by the overall customer bear sentiment for new capital investment.
- Successfully received an order from a U.S. IT company for newly launched ALD equipment as part of our ongoing efforts to address the emerging needs for thin-film deposition in new application such as wide-angle lenses and mini LEDs.
- IoT area (automotive, semiconductors, medical devices, AR/VR, optical communication network) saw overall sales increase.
- Accelerating R&D efforts in the bio-sensor field through joint development with major universities in Japan.
- Achieved progress in LED area with new model equipment.
- New models played a large role in the overall results, accounting for 41% of orders received and 15% of sales.
- Orders received increased by JPY900mn (5%) from H1 2019, resulting in an order backlog increase by JPY4.2 bn.

【Comparison of business results】

(Million yen)

	FY12/19 H1	FY12/20 H1	YoY change
Net sales	26,677	16,590	△37.8%
Operating profit	7,396	3,652	△50.6%
(Operating margin)	(27.7%)	(22.0%)	—
Ordinary Profit	7,262	3,952	△45.6%
After Tax profits	5,994	2,884	△51.9%
Research and development expenses	1,478	1,710	15.7%

【Net Sales by Categories】

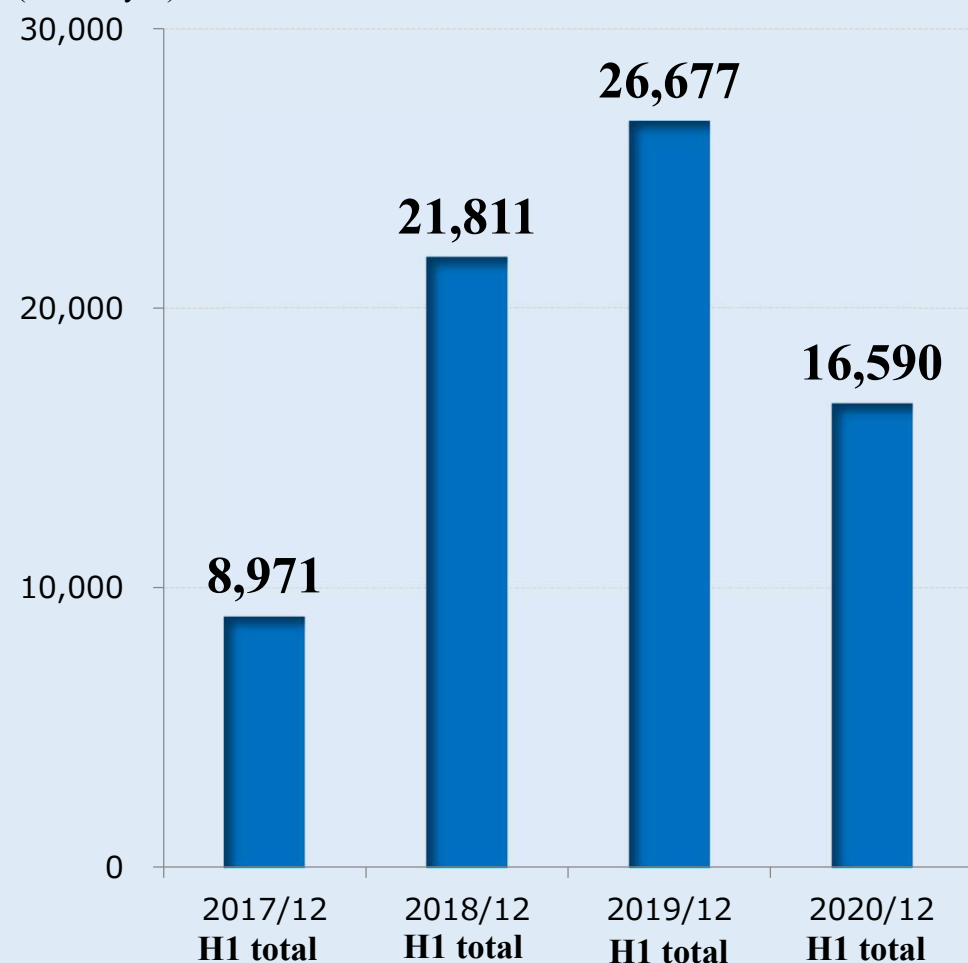


Net Sales (H1 2020)



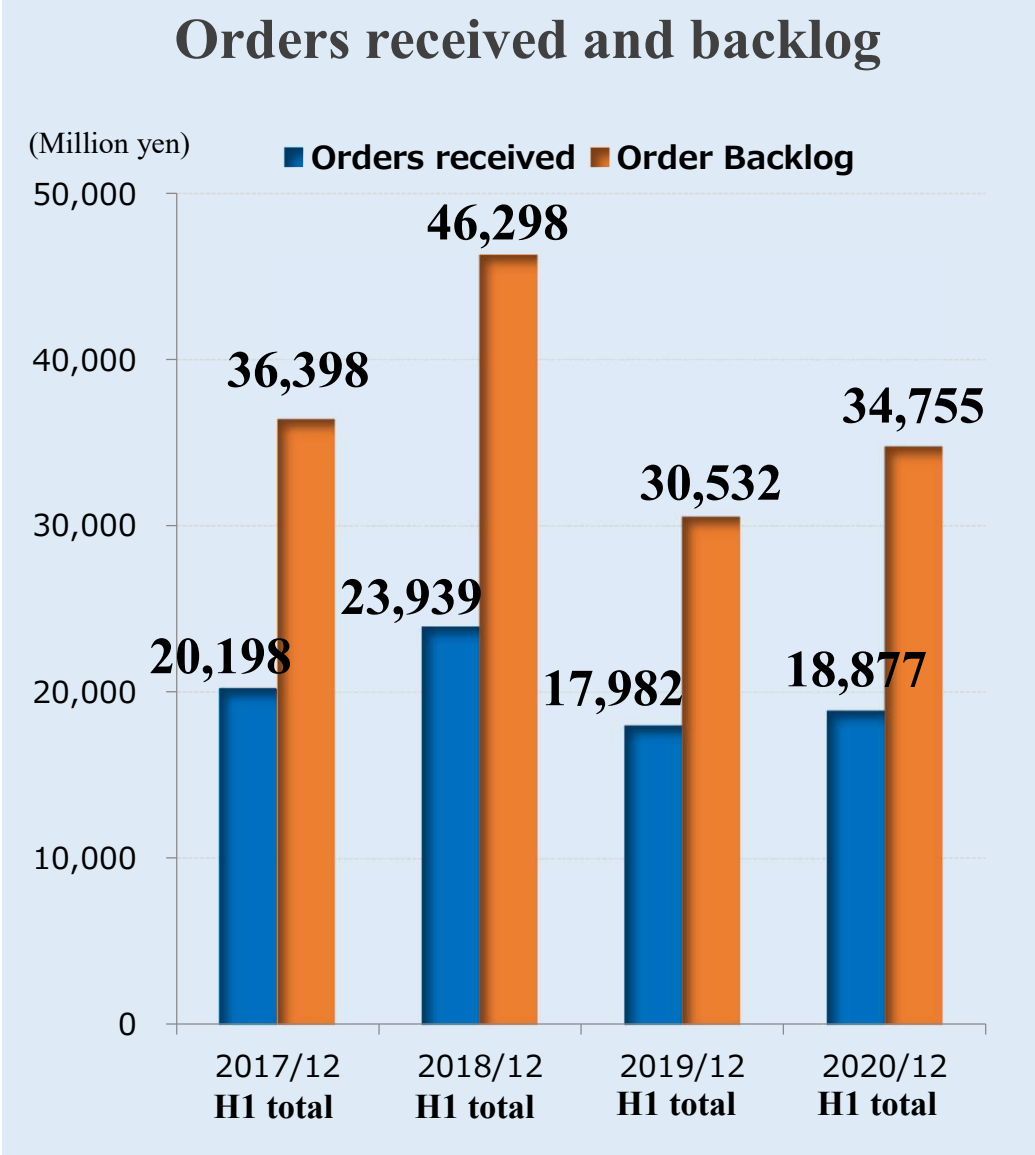
Net Sales

(Million yen)



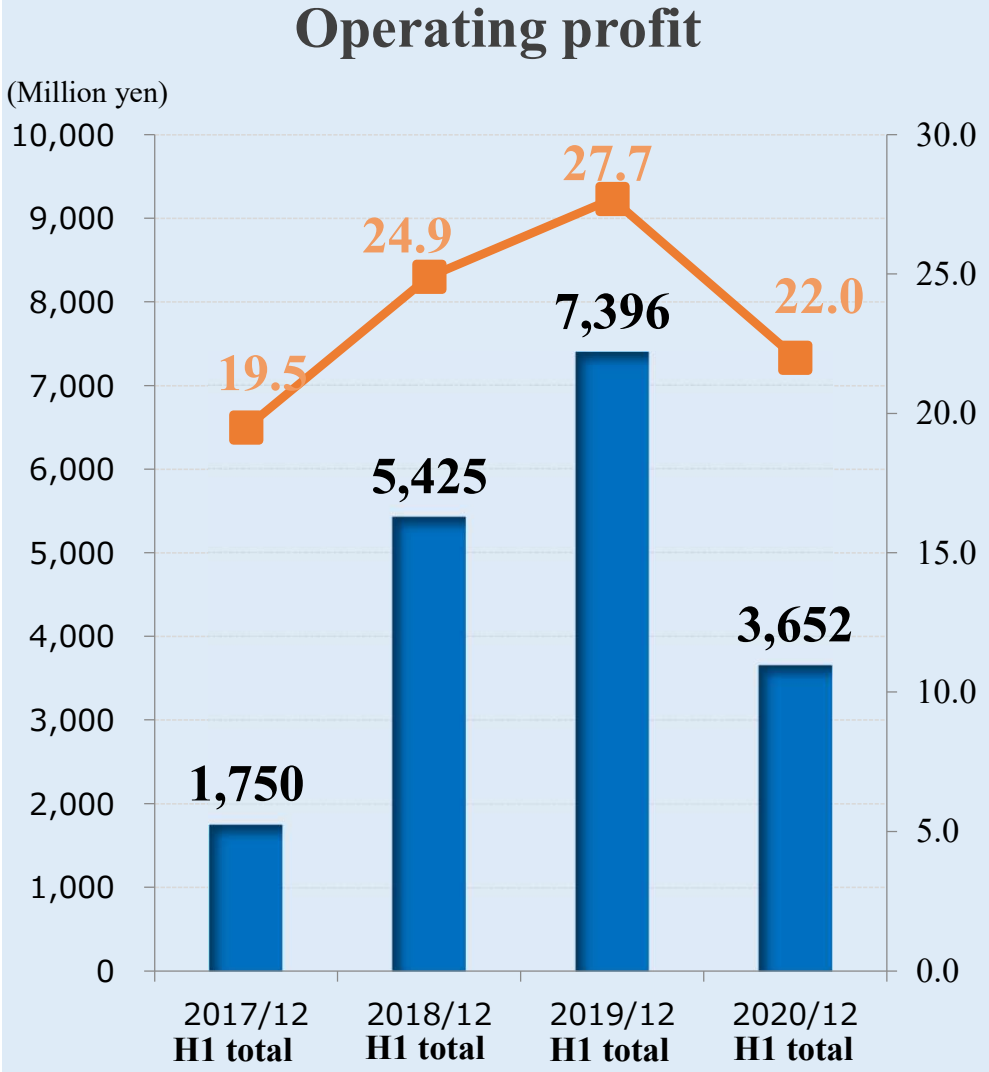
- Sales from Vacuum Evaporation Coaters (evaporator) and Sputter Coaters accounted for 50% and 40% respectively of total sales.
- Secured sales in smartphones for backglass casting (for decoration) and camera modules.
- Camera lense-related sales include applications for surveillance and SLR cameras.
- IoT-related sales' ratio surged. Sales of new equipment for optical networks and X-ray FPD scintillators for medical use in particular are worth mentioning.
- Sales for LED chips were also strong.
- Started to observe materialization of tangible orders/sales of a variety of new products, including horizontal sputtering, double-sided sputtering, and equipments for LED and automotive applications.

Orders Received/Order Backlog (H1 2020)



- JPY900mn increase (+5%) YoY.
- Orders consist of 50% evaporators and 40% sputtering equipment.
- In smartphones, orders for high-end camera modules, glass chassis decoration, and 3D cameras increased.
- Orders for IoT are coming from diverse areas, including automotive, biometric, semiconductor, medical device, optical networks, AR/VR, etc.. In particular, witnessing strong customer traction in new types of equipment for optical networks.
- Acquired orders for new ALD equipment.
- LED-related orders were also solid.

Operating Profit (H1 2020)



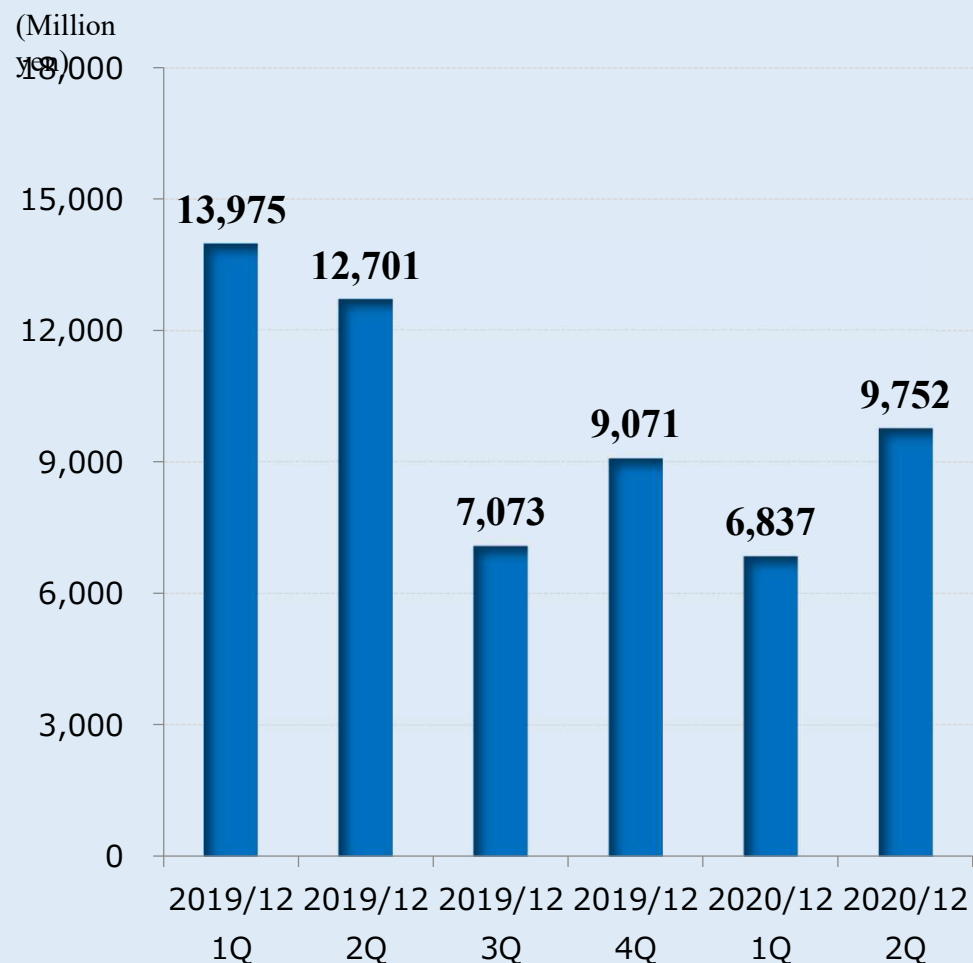
- **Operating profit margin: 22.0%**
(down 5.7% from H1 2019)
- **Cost ratio was unchanged YoY.**
 - The consolidated CGS-Sales ratio remained favorable at 59.9%.
- **The SG&A ratio rose 4.7% YoY due to sales decline.**

R&D expenses were JPY1.7bn, up by JPY230mn (+15.7%) YoY, with an aim to accelerate technology development to capture market needs.

Net Sales (Q2 2020)



Net Sales

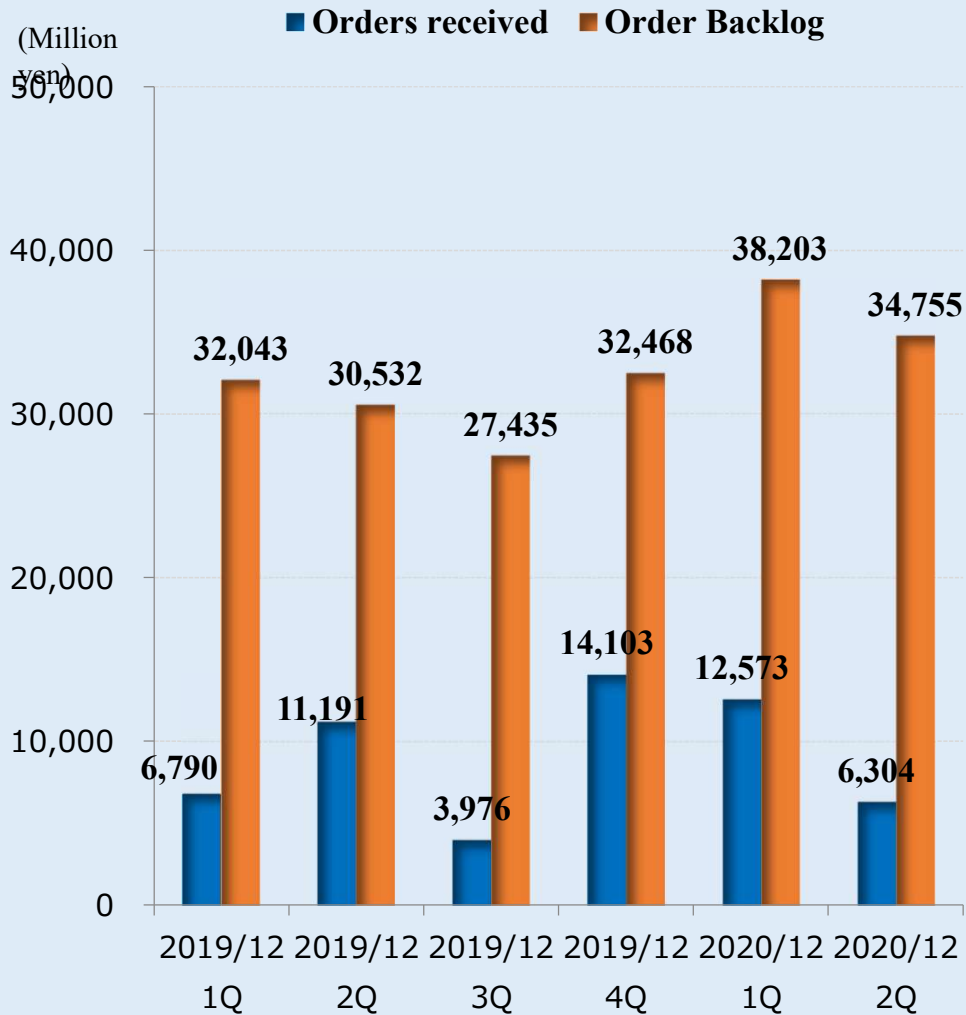


- Q2 Sales were up by 42% from Q1, with evaporators accounting for 50% and sputtering equipment 40% of total sales.
- Solid sales for backglass casting (for decoration) and camera-related products (IR-cut filters and back-glass surface deposition) for smartphones.
- For camera lenses, sales of IR-cut filters and in-vehicle camera modules were secured.
- Overall sales were strong in the areas of IoT, optical communication networks, medical applications, and LED.

Orders Received and Order Backlog (Q2 2020)

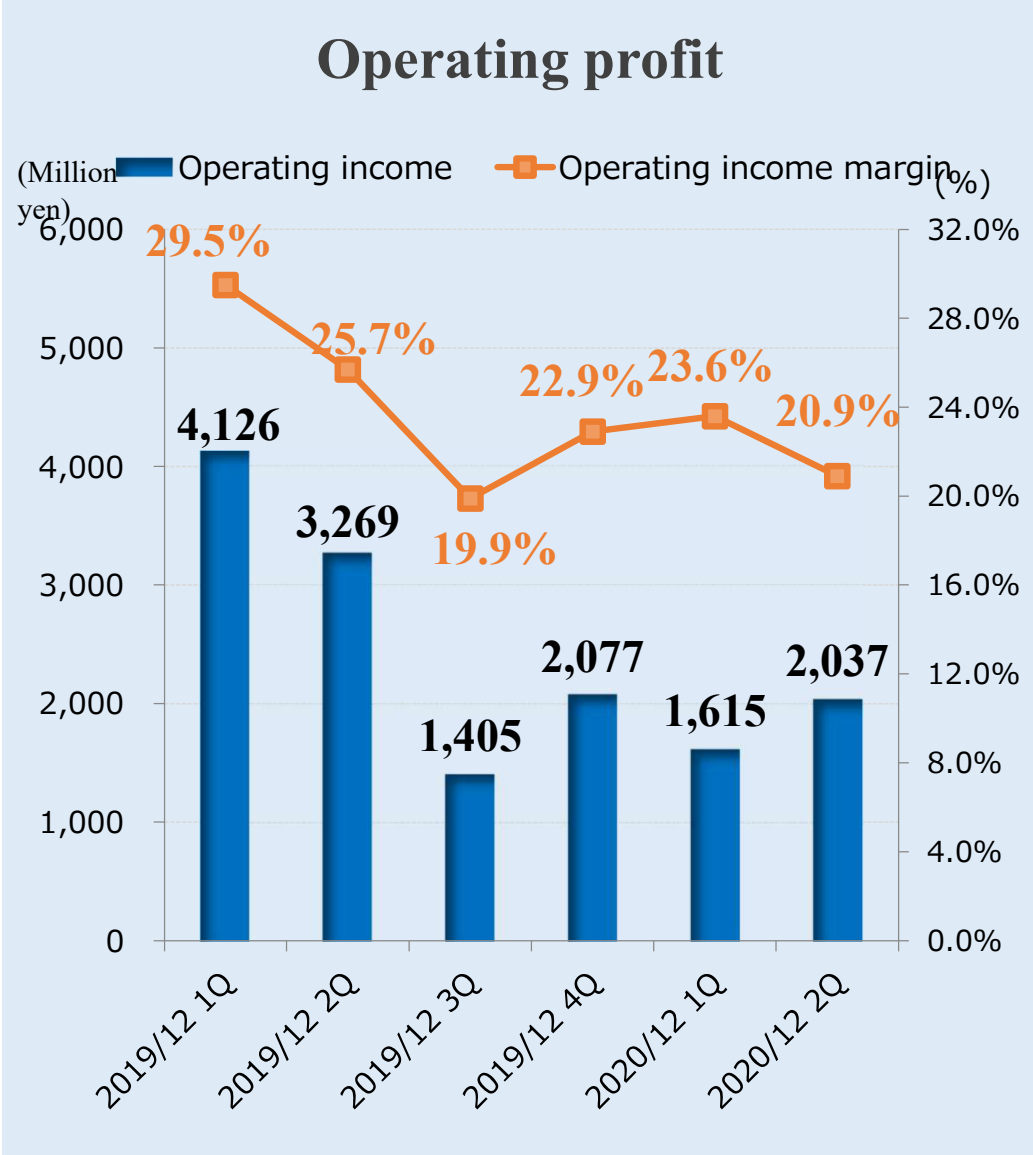


Orders received and backlog



- Significant impact of global economic downturn was felt this quarter, with orders declined by 50% from Q1. However, the rate was +5% for the six months from the beginning of the year.
- Secured orders from Chinese smartphone manufacturers.
- IoT-related products enjoyed solid incoming orders, particularly in the optical communications, automotive, biometric, AR/VR and medical equipment where new model equipment, including horizontal and double-sided sputtering tools played significant roles.
- New order for ALD equipment were also received for the first time.

Operating profit (Q2 2020)



- **Operating profit margin: 20.9%**
- **CGS/Sales ratio increased by 3.5% from the previous quarter due to lower sales proportion of sputtering equipment among the sales mix.**
- **SG&A expenses were JPY1.7bn (decreased by 0.8% from Q1).**

Financial Position



(Million yen)

	December 31, 2019		June 30, 2020		
	Amount	Ratio	Amount	Ratio	Changes
Current assets	47,193	83.5%	47,472	83.3%	278
Cash and deposits	26,969	47.7%	24,520	43.0%	△2,449
Notes and accounts receivable - trade	4,252	7.5%	4,107	7.2%	△145
Inventories	15,173	26.9%	17,894	31.4%	+2,720
Allowance for doubtful accounts	△350	△0.6%	△347	△0.6%	+2
Other	1,148	2.0%	1,298	2.3%	+150
Non-current assets	9,315	16.5%	9,501	16.7%	+186
Total assets	56,509	100.0%	56,974	100.0%	+464
Current liabilities	19,825	35.1%	20,496	36.0%	+670
Notes and accounts payable - trade	2,735	4.8%	4,166	7.3%	+1,431
Short-term interest-bearing debt	510	0.9%	487	0.9%	△22
Income taxes payable	545	1.0%	1,059	1.9%	+514
Advances received	13,988	24.8%	12,846	22.5%	△1,142
Other	2,046	3.6%	1,936	3.4%	△110
Non-current liabilities	1,864	3.3%	1,865	3.3%	+0
Long-term interest-bearing debt	165	0.3%	121	0.2%	△43
Other	1,699	3.0%	1,743	3.1%	+44
Total Liabilities	21,689	38.4%	22,361	39.2%	+671
Total Assets	34,819	61.6%	34,612	60.8%	△206
Total liabilities and net assets	56,509	100.0%	56,974	100.0%	+464

• Cash and deposits decreased due to dividend payments

• Increase in inventories due to increased shipments

• Decrease in advances received due to recording of sales

Status of Cash Flow



(Million yen)

	Total for Q2 2019	Total for Q2 2020		Main reasons
	Amount	Amount	Change	
CF from sales activities	14,232	695	△13,537	Due to an increase in inventories
CF from investment activities	△1,079	△461	618	From the acquisition of tangible fixed assets
CF from financial activities	△2,389	△2,529	△140	By paying dividends
Of cash and cash equivalents Translation adjustments	△414	△154	260	
Net increase (decrease) in cash and cash equivalents	10,348	△2,449	△12,797	
Cash and cash equivalents at beginning of year	15,740	26,969	11,229	
Cash and cash equivalents at end of year	26,089	24,520	△1,569	

Business Outlook

- The spread of COVID-19 has been affecting our overall group business. Due to the downturn of the world economy, new capital investment has been restrained, resulting in order decrease.
- On the other hand, demand for general-purpose optical thin films is on a recovery trend, which could turn into a higher demand for the high-end optical thin films we deal with over time.
- Since it will take some time to determine the outlook for our future business, we are maintaining our 2020 financial forecast. In the event that it becomes necessary to revise the forecast in light of the future business environment and business performance, the Company will promptly disclose such revisions.

(Million yen)

	FY2019 Actual	FY2020 Forecast	
			YoY change
Net Sales	42,822	46,200	+7.9%
Operating Profit	10,879	12,000	+10.3%
Operating margin	25.4%	26.0%	
Ordinary profit	11,031	12,000	+8.8%
Net income attributable to owners of the parent	9,101	9,200	+1.1%
Research and development expenses	3,172	3,300	+4.0%

Disclaimer, Precautions, and Contact Information



The information contained in this document has been prepared on the basis of generally accepted economic and social conditions as of August 6, 2020, and certain assumptions that we judged to be reasonable. However, the information contained in this document may be changed without notice due to changes in the business environment.

The materials and information provided in this publication include so-called forward-looking statements. These forward-looking statements are based on current expectations, projections and risky assumptions, and contain uncertainties that may cause results that differ materially from these statements.

These risks and uncertainties include general industry and market conditions, general domestic and international economic conditions such as interest rates and currency fluctuations.

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