



Optorun Co., Ltd.

~ Creating the Future with Semiconductor-Optical Fusion ~

Fiscal Year 2023 Earnings Report and Supplementary Materials

February 13, 2024

Optical thin film equipment



Semiconductor-optical fusion
equipment



Electronic device equipment



□ Future Prospects

This material contains forward-looking statements. This includes forward-looking statements about the expected growth and trends in our businesses and markets, industry prospects and demand drivers, our investment and growth strategies, the development of new products and technologies, and current and future business prospects. In the future, due to changes in various external and internal factors, there is a possibility that the forecast may differ materially from the forecast or forecast, but we are not obligated to update or revise.

□ Foreign exchange risk

Export sales of our mainstay manufacturing equipment are affected by exchange rate fluctuations in the U.S. dollar (USD) due to our high dependency in U.S. dollar terms. Manufacturing costs are affected by fluctuations in Chinese yuan (RMB) due to the high dependence on Chinese production. The exchange rate assumptions under the financial forecasts are based on historical results and aim to mitigate the impact of exchange rate fluctuations. Although large part of our direct export destinations are the Greater China region, the demand of end-products using our technologies has large dependency on U.S. region.

□ Actions to implement management conscious of cost of capital and stock price

We have set goals for operating profit margin and ROE in our medium-term management plan to implement management that is conscious of cost of capital and stock prices. To improve shareholder value, we plan to pay out stable dividends and consider a flexible and strategic repurchase of treasury stock. We are also planning strategic business alliances, including R&D, capital investment, and M&A, with a view to achieving sustained growth. Contact e-mail: ir-info@optorun.co.jp

❑ Consolidated Orders Received and Results for FY2023

Orders received slowed to 24 billion yen (¥), down 44% from the previous year, due to a decline in smartphone-related investment. Despite a decline in orders, we have begun to win orders for optical thin film equipment for AI smartphones. Net sales increased 7% to ¥36.8 billion and operating income increased 31% to ¥9.7 billion thanks to contributions from Atomic Layer Deposition (ALD) equipment. Ordinary income declined 30% y-o-y to ¥6.0 billion due to a ¥4.0 billion foreign exchange-related loss. Exchange rate were USD@¥140.67 and RMB@¥19.82.

❑ Business Forecast for FY2024 and Business Environment

Orders are expected to recover on a quarterly basis as AI smartphone-related investments expand. Net sales are forecast to increase 1% year-on-year to ¥37.0 billion, thanks in part to the growth of the Electronic Devices Business. Operating profit is expected to decline 23% y-o-y to 7.6 billion yen due to the yen's appreciation and intensifying price competition, but recurring profit is forecast to rise 25% y-o-y to 7.6 billion yen. The foreign exchange assumption is USD@¥130 and RMB@¥20.5. Operating profit sensitivity is estimated to be positive ¥150 million for ¥1 appreciation of a USD and negative ¥100 million for a ¥0.1 appreciation of an RMB.

❑ Medium-Term Management Plan and Business Strategy

We envisage operating profit margin of above 20% and return on equity (ROE) of above 10% as part of our Medium-term Management Plan. To improve shareholders' value, we plan a stable dividend payout ratio of at least 30% and a flexible and strategic stock repurchase. The annual dividend per share for FY2024 is forecast to be 52 yen (including interim dividend of 26 yen). Our business plan focuses on growing three business segments regarded as the pillars of our future business; optical, semiconductor optical convergence, and electronic devices.

Financial performance



Chart 1: Orders Received, Business Performance, and per-share Indicators (Unit: ¥ million, Yen, %)

FY	18/12	19/12	20/12	21/12	22/12	23/12	24/12E	前年比%	
								23/12	24/12E
Orders received	39,821	36,062	28,606	35,435	43,124	24,080	-	-44.2	-
Order Backlog	39,228	32,468	23,583	28,126	36,947	24,219	-	-34.4	-
Net sales	44,763	42,822	37,491	30,892	34,304	36,807	37,000	7.3	0.5
Operating profit	10,690	10,879	8,628	7,025	7,449	9,752	7,500	30.9	-23.1
Ordinary profit	10,993	11,031	8,610	7,901	8,763	6,051	7,600	-30.9	25.6
Profit attributable to owners of parent	7,746	9,102	6,797	6,330	6,890	4,632	5,400	-32.8	16.6
Earnings per share	187.6	216.7	159.1	146.8	159.0	106.1	123.2	-33.2	16.1
Dividend Per Share	55.0	60.0	50.0	50.0	50.0	50.0	52.0	0.0	4.0
Net assets per share	676.2	821.1	919.0	1,066.0	1,199.1	1,285.3	-	7.2	-
Gross profit/net sales	39.0	41.3	39.2	43.3	43.6	50.1	-	6.6	-
Operating profit /net sales	23.9	25.4	23.0	22.7	21.7	26.5	20.3	4.8	-6.2
Profit attributable to owners of parent/equity	30.6	29.0	18.3	14.8	14.0	8.5	-	-5.5	-

NOTE :Accounting is based on Japanese GAAP. E indicates our forecast. Figures are rounded to the nearest million yen. Figures in the percentage of profit are changes from the previous year.

As of February 13, 2023, our forecasts for FY2023 were ¥35.5 billion revenue, ¥8.6 billion operating income, ¥8.6 billion ordinary income, ¥6.2 billion net income, and net income per share of ¥142.6

Balance Sheet and Cash Flow Statement



Chart 2: Summary of Consolidated Balance Sheet and Cash Flow Statement (in millions of yen)

FY	18/12	19/12	20/12	21/12	22/12	23/12
Cash and deposits	15,741	26,970	22,723	32,274	34,923	33,054
Notes and accounts receivable-trade	6,417	3,902	9,426	5,627	7,423	4,882
Inventories	24,487	15,173	11,147	12,855	20,430	17,989
Current assets	48,142	47,194	44,572	53,145	65,401	57,632
Non-current assets	7,502	9,315	9,755	11,529	17,515	20,859
Total assets	55,644	56,509	54,327	64,675	82,916	78,491
Notes and accounts payable - trade	1,653	2,735	1,703	3,246	4,785	1,284
Short-term favorable contracts	757	510	489	472	414	403
Contract liabilities	20,109	13,989	8,922	9,831	19,060	14,743
Current liabilities	25,923	19,826	13,655	17,057	28,400	19,097
Non-current liabilities	1,659	1,864	1,157	1,535	2,357	2,478
Net assets	28,063	34,819	39,515	46,084	52,159	56,916
Cash flows from operating activities	9,572	16,233	-535	10,686	8,561	3,180
Cash flows from investing activities	-2,964	-2,432	-1,048	376	-4,396	-3,599
Free cash flow	6,608	13,801	-1,583	11,061	4,165	-419
Cash flows from financing activities	-10,054	-2,359	-2,467	-2,735	-2,172	-2,207

NOTE :Figures are rounded to the nearest million yen. Notes and accounts receivable are calculated taking into account allowance for doubtful accounts. Short-term interest-bearing debt is the total of short-term borrowings and lease obligations.

□ FY2023 Consolidated Results

Orders received slowed due to a decline in smartphone-related investment, but orders for optical thin film equipment for AI smartphones have begun to flow in. Sales of ALD systems contributed to the increase of net sales and operating income. Ordinary income declined due to foreign exchange-related losses. Exchange rate was USD@¥140.67 and RMB@¥19.82.

In the smartphone market, the replacement cycle has been prolonged due to the maturing of demand, but since around the 4th Quarter (October to December 2023), the emergence of AI smartphones have resulted in an increase in inquiries from customers for new types of equipment. We received orders for AR/VR etching equipment in the semiconductor optical field and equipment for the green energy application in the electronic devices field. In sales, the percentage of new equipment increased to 44% (35% in the FY2022) due to contributions from ALD equipment sales.

□ FY2024 Forecast and Business Environment

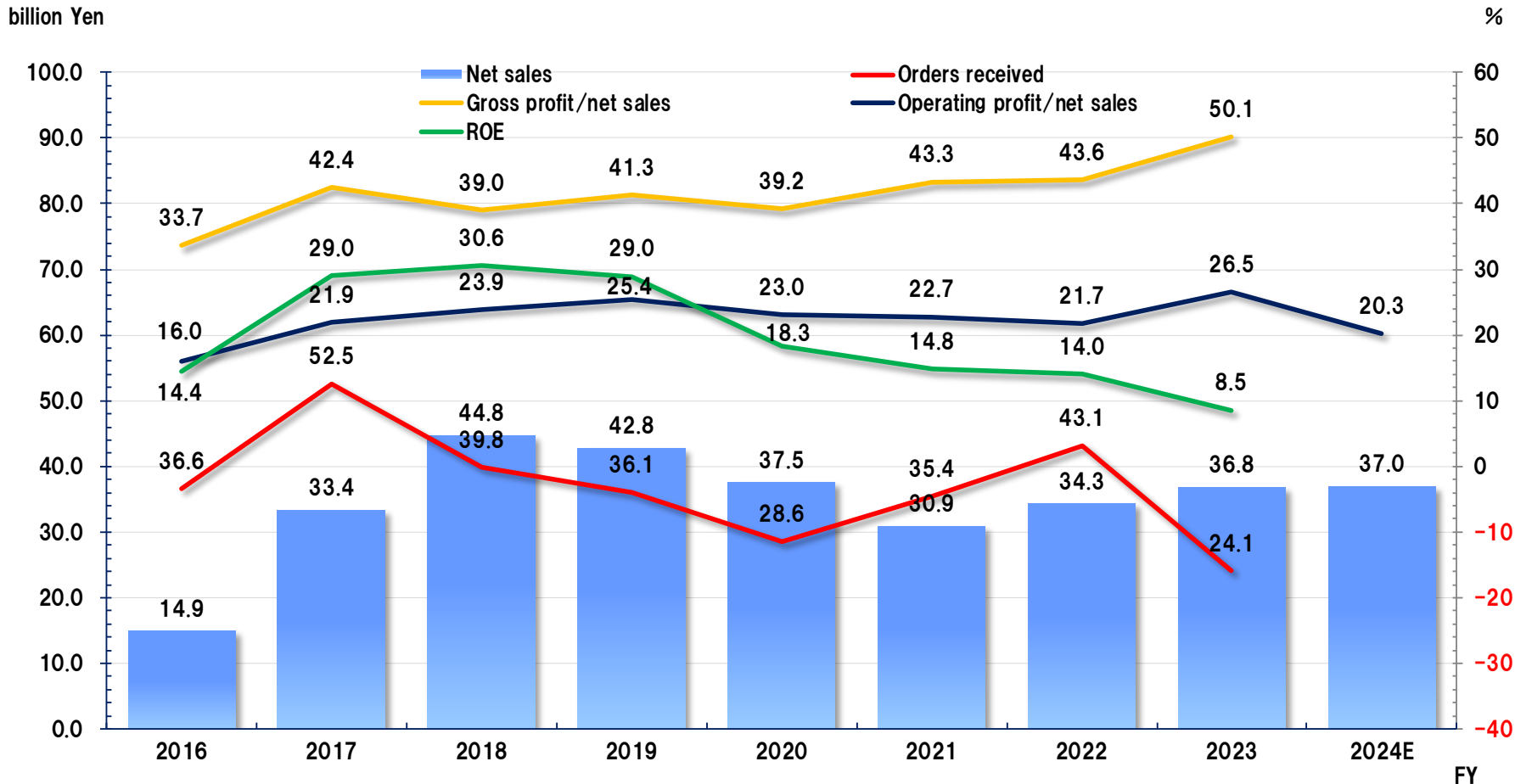
Orders are expected to recover on a quarterly basis as AI smartphone-related investment expands. Net sales are expected to increase slightly due to the growth of the electronic devices business. Operating profit is forecast to decline due to the appreciation of the yen and intensifying price competition, but recurring profit is forecast to increase. The assumption of exchange rate is USD@¥130 and RMB@¥20.5, which is based on the current exchange rate. The sensitivity of the foreign exchange on operating profit is a positive ¥150 million for a ¥1 appreciation of a USD and a negative ¥100 million for a ¥0.1 appreciation of an RMB.

The Generative AI revolution is expected to expand demand for thin-film deposition across our business segments, including optical, semiconductor optical fusion, and electronic devices. The creation of high-end smartphones with AI functions and the development of high-performance cameras with multiple camera lenses and lenses in larger sizes will stimulate demand for new-type equipment. Semiconductor optical fusion segment is positioned as an important focus area in which we plan to aggressively conduct R&D, invest in IP, and engage in M&A. In the EV/automotive area, we anticipate new demand coming from the improvement of automated operation technology.

Orders received, net sales, profitability, and profitability indicators



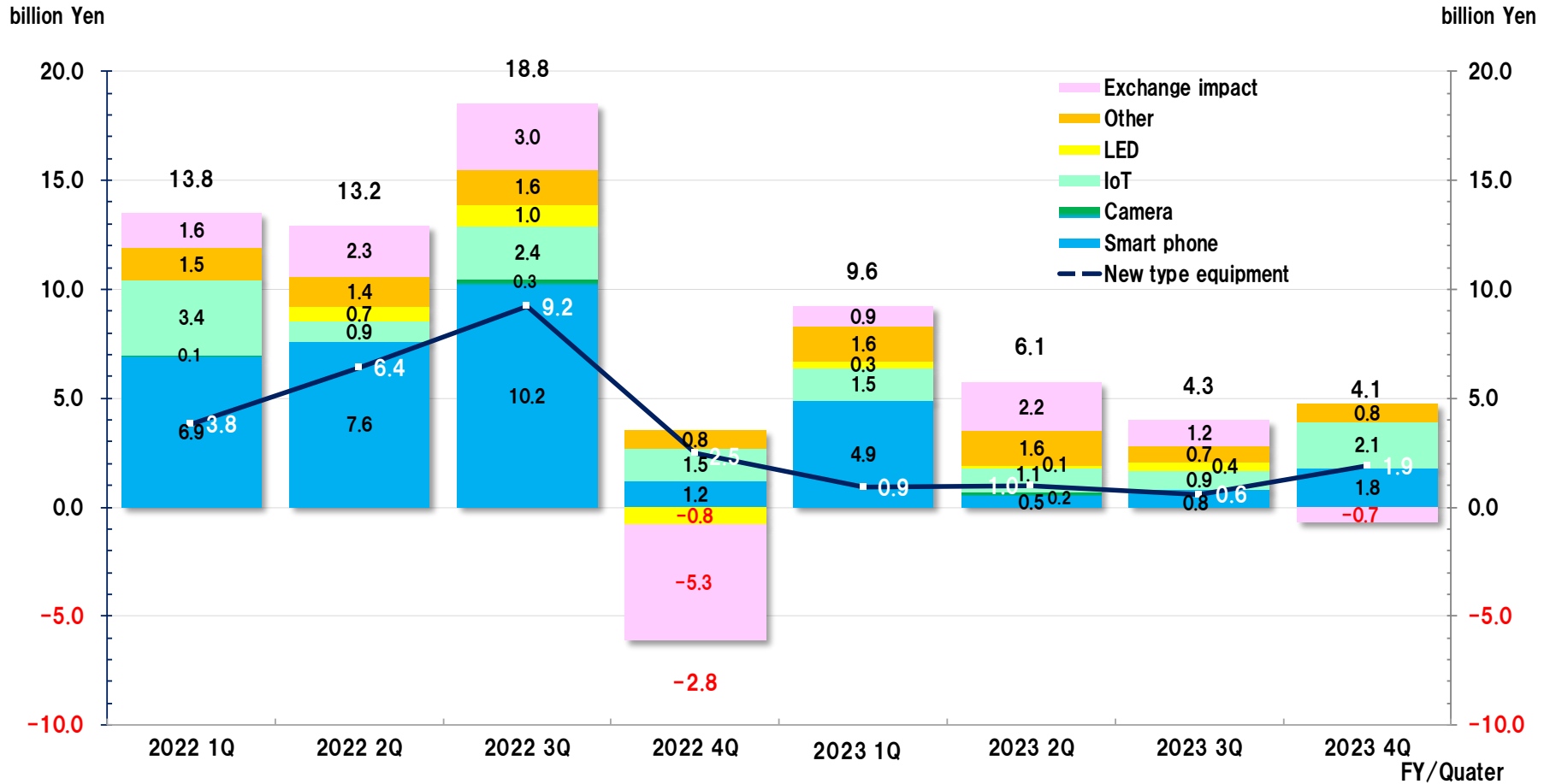
Chart 3: Orders Received, Net Sales, Profitability and Profitability Indicators



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The assumption of the exchange rate for FY12/12 is USD@¥130 yen and RMB@¥20.5. Sensitivity to operating profit is positive ¥150 million in one yen appreciation of a USD, and negative ¥100 million in yen in 0.1yen appreciation of an RMB.

Quarterly Orders by Application

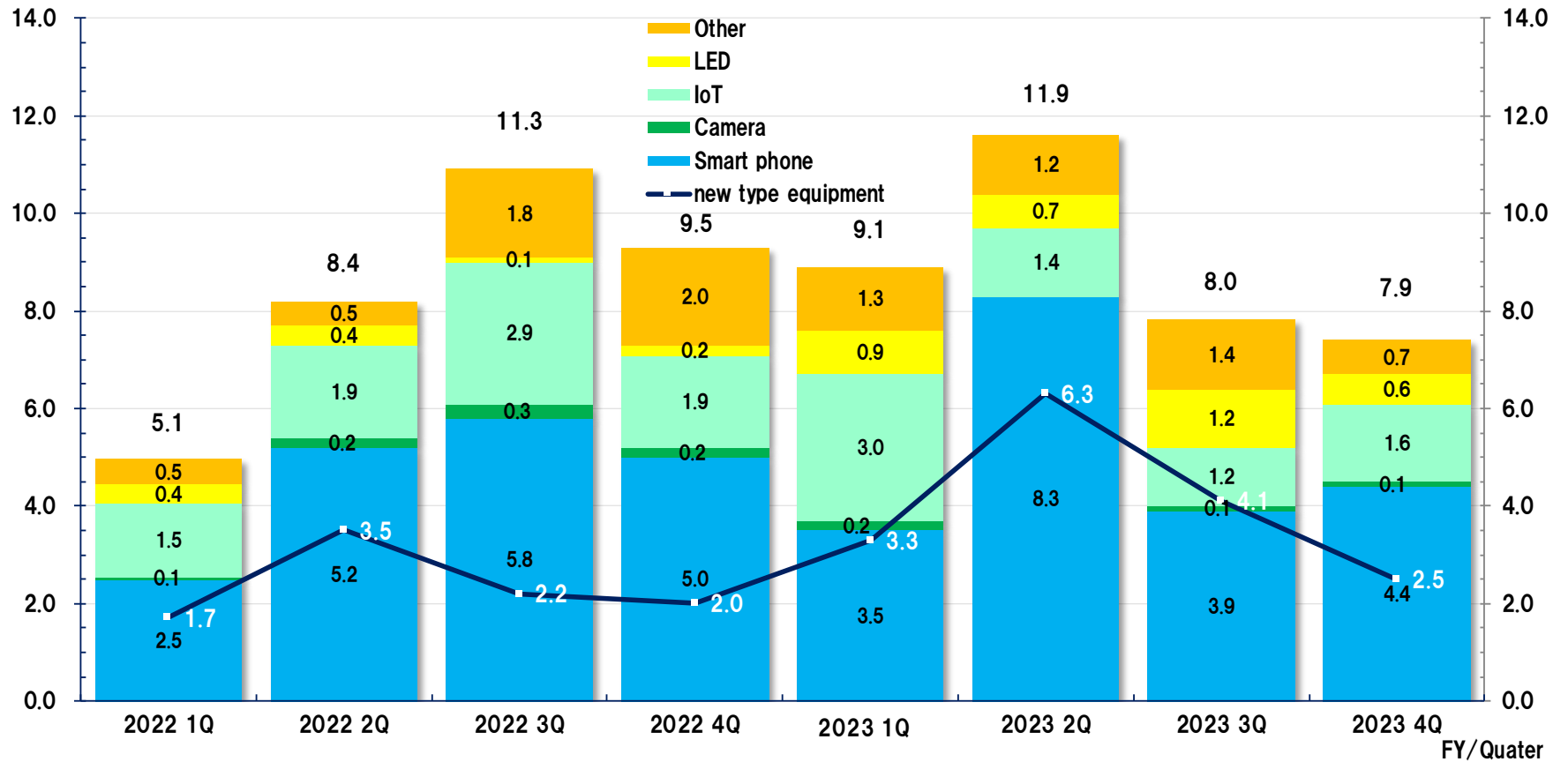


NOTE :Smartphone applications include color decoration and antireflection coatings; camera lenses include antireflection coatings; IoT includes DWDM (high-density wavelength division multiplexing), bio-authentication, and antireflection coatings for on-board cameras, AR/VR IR-cut filters. LEDs include ITO films. New equipment includes ALD equipment

Quarterly Sales by Application



Chart 5: Quarterly Sales by Application





Mid-term Management Plan

Optical

Semiconductor optical fusion

Electronic devices

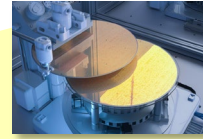


■ AI smartphones

- CMOS image sensors
- Periscopes lens

■ EV/Connected cars

- ADAS (Advanced Driving Support System)
- Integrated cockpit/mobility

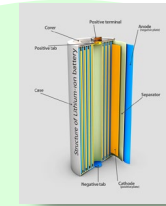


■ Photoelectric fusion device

- Datacom transceiver
- Board connection device

■ Spatial computer

- Micro LED/LiDAR sensor
- OLED display



■ Green energy

- Power semiconductor
- Solid-state battery

■ Communication device

- Millimeter-wave device (BAW/SAW/RF)

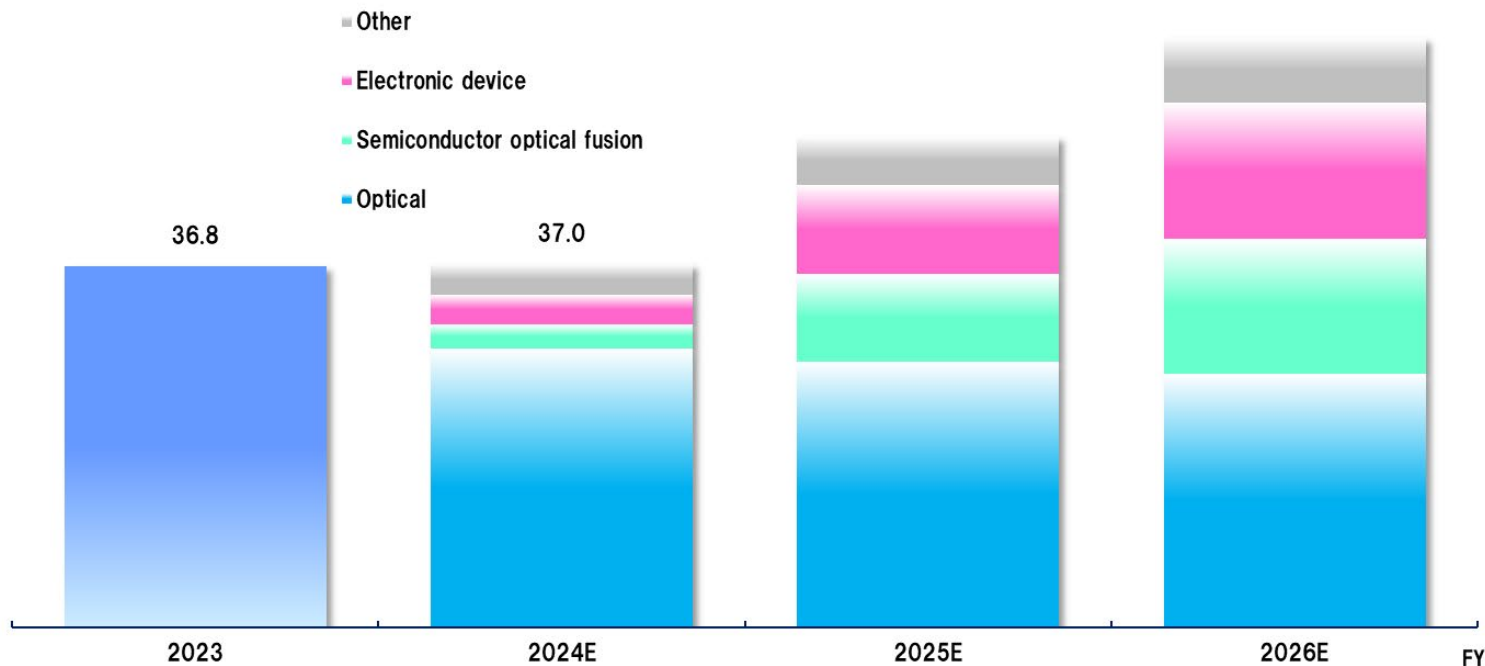


Generative AI revolution

□ Medium-Term Management Plan and Business Strategy

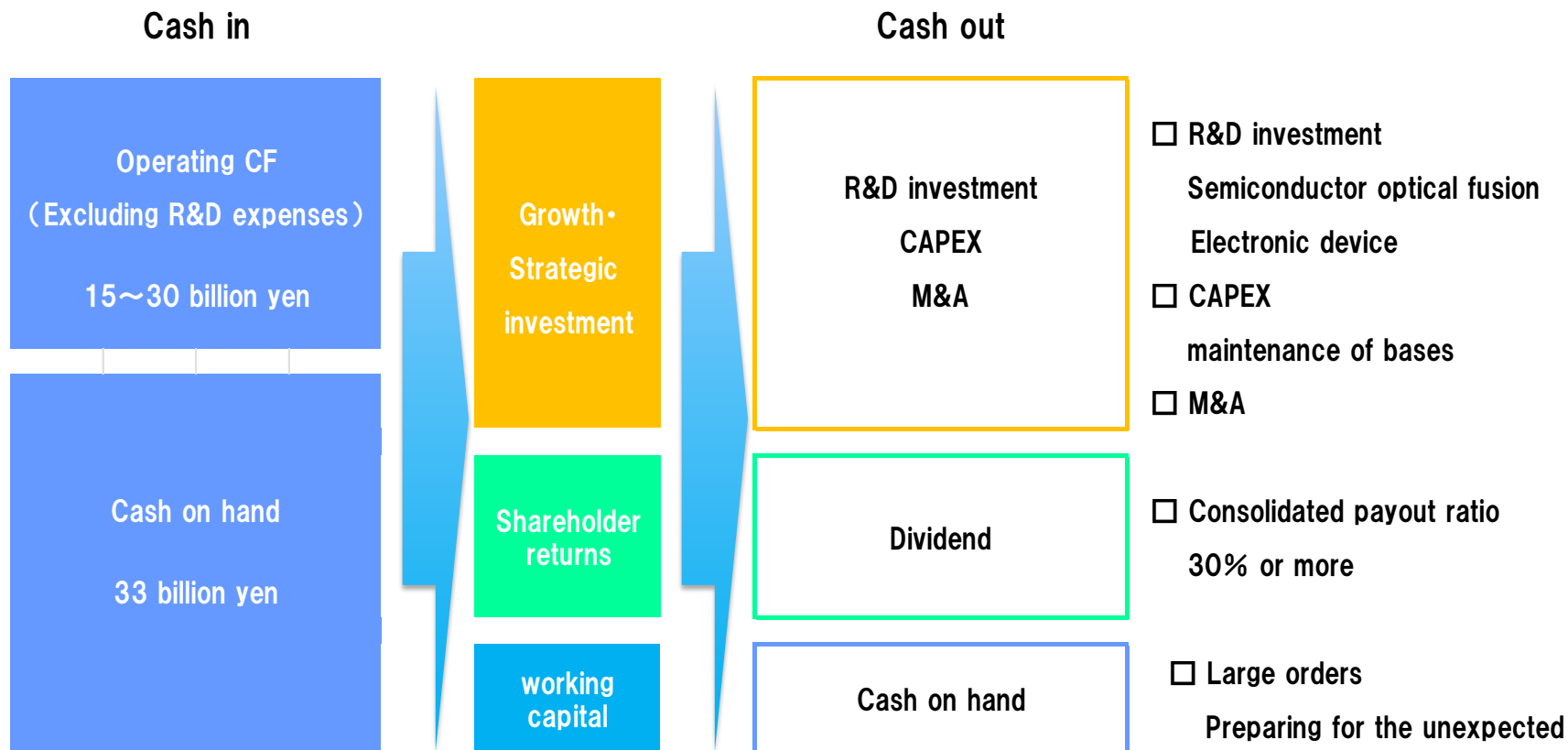
Operating profit margin of above 20% and Return on Equity (ROE) of above 10% are set as management targets. To improve shareholder value, we are considering stable dividends and flexible stock repurchases with a consolidated dividend payout ratio of at least 30%. The annual dividend per share for FY2024 is planned at ¥52 (including interim dividend of ¥26). As part of our business strategy, we plan to focus on three business domains; optical, semiconductor optical fusion, and electronic devices, as the pillars of our future growth.

Chart 6: Mid-term Management Targets by Field (in billions of yen)



Cash allocation (3 years)

Figure 7: Cash Allocation



Capital expenditure and R&D expenses

Chart 8: Capital expenditure, depreciation, and R&D

Tsurugashima HQs, Japan



Optorun Semiconductor Technology, Shanghai



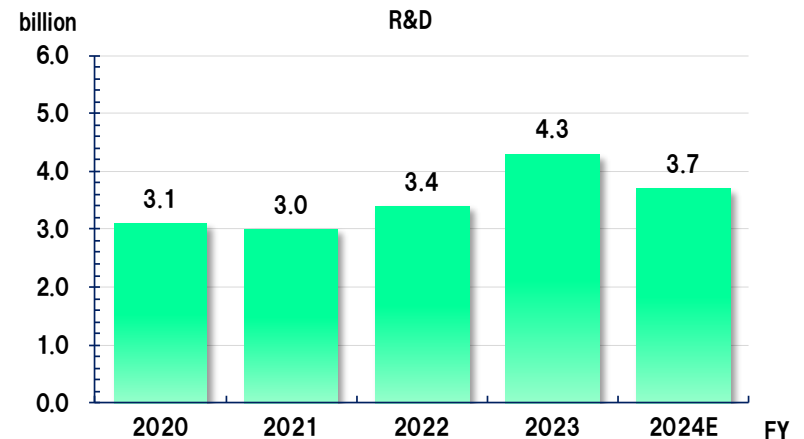
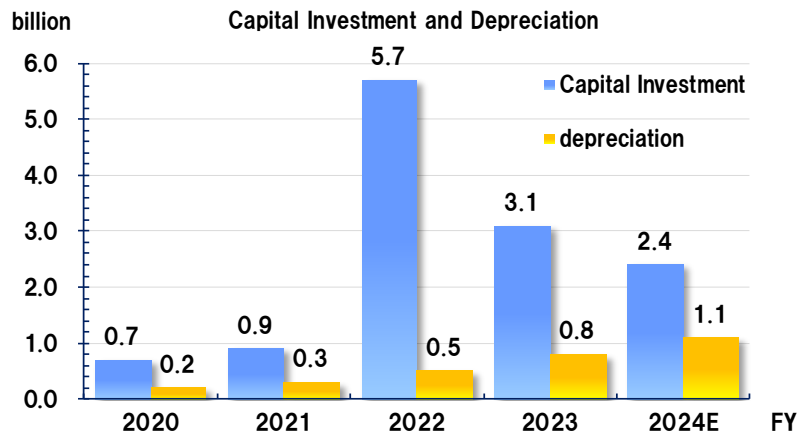
Optorun Vina, Bac Ninh, Vietnam



- Global R&D center for semiconductor optical fusion and electronic devices, etc., currently being upgraded.

- Production and R&D base for new technology equipment such as ALD equipment.
- Commenced operations in January 2024

- Equipment installation, maintenance and repair, parts machining for customers in Southeast Asia. Launched in December 2023.



Shareholder Return Policy and Dividend Forecast

While securing the necessary internal reserves to invest in R&D, production capabilities, and new business development, we will return profits to shareholders under a policy to maintain dividend payout ratio at above 30%. For the fiscal 2024, we plan to pay annual dividends of ¥52 per share in total, half of which in the form of interim dividend (dividends may be reconsidered in the event of significant fluctuations in revenues and earnings in fiscal 2024).

Chart 9: Dividends per Share and Annual Dividend Payment Ratio

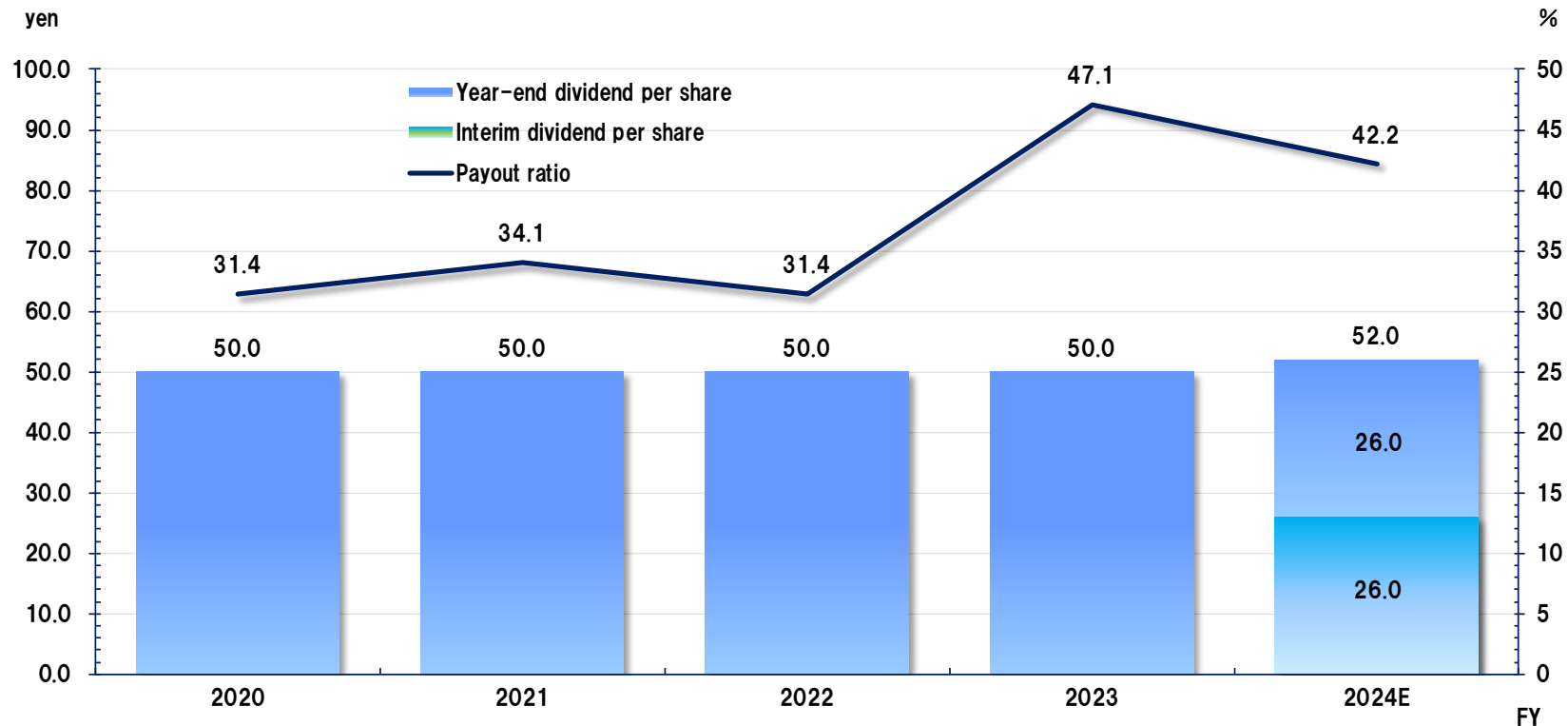
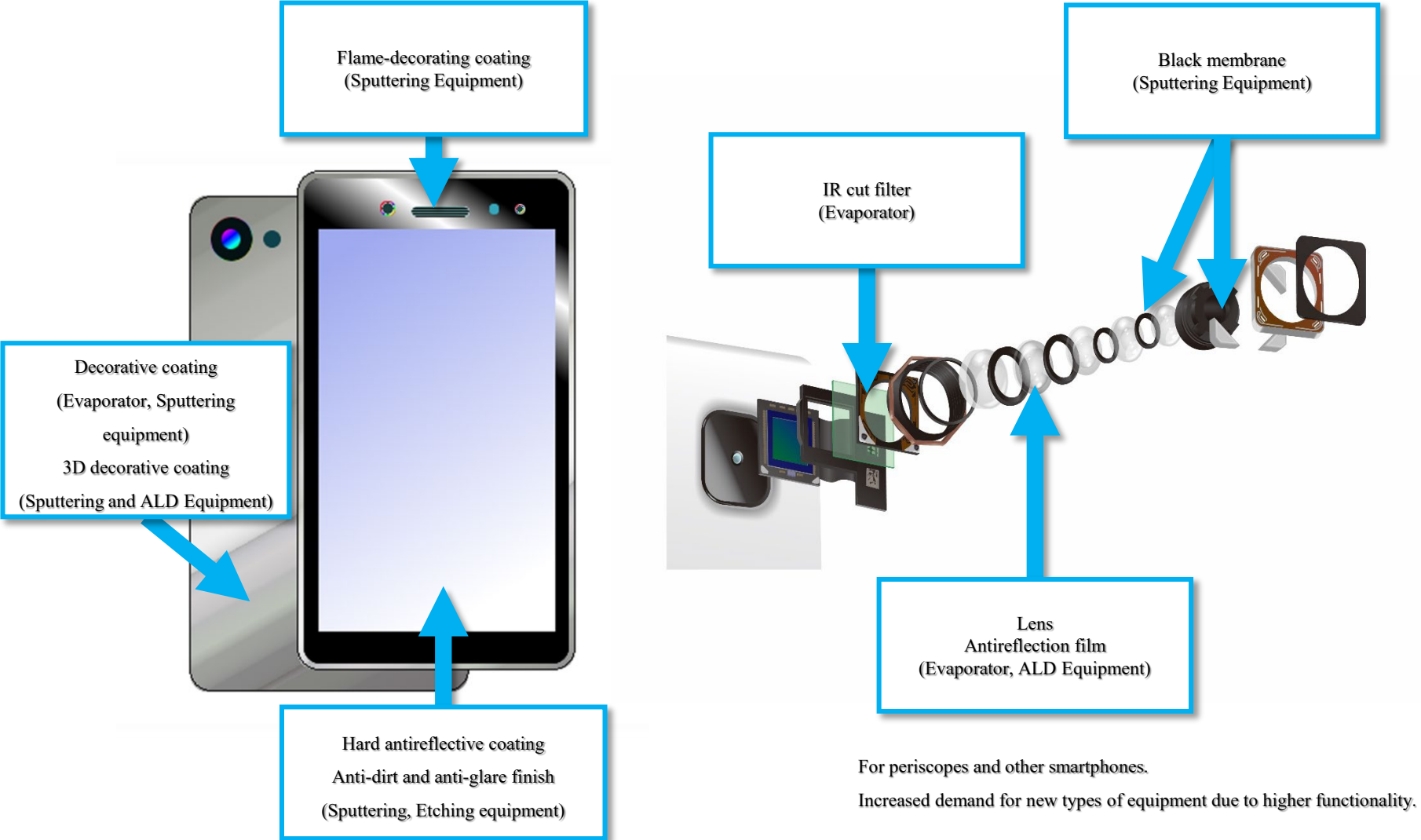
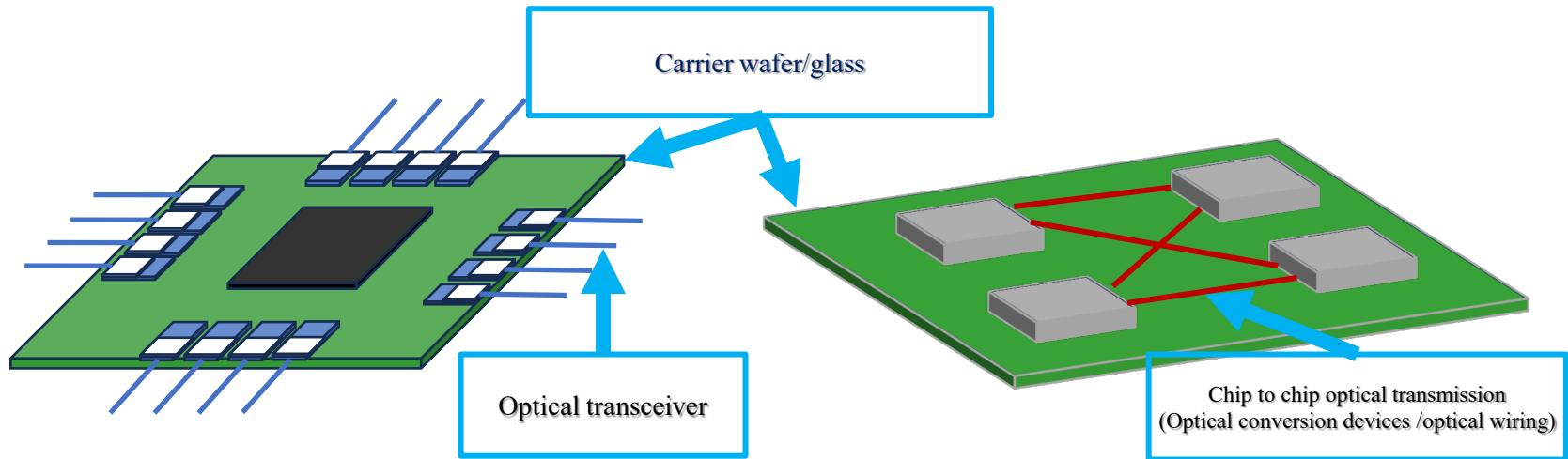


Figure 10: Optical thin-film equipment for AI smartphones



Semiconductor optical fusion /photoelectric fusion device

Figure 11: Semiconductor-Optical Fusion technologies for Photoelectric Fusion Devices

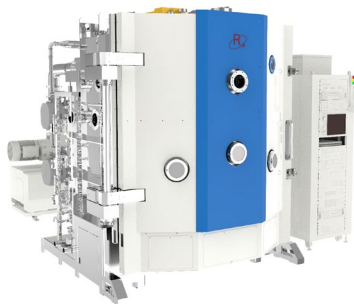


Contributing to the realization of optical transmission devices between chips through photoelectric fusion technology

2nd generation optical communications

3rd generation optical communications

3.5th generation optical communications



Vapor deposition equipment



Sputtering equipment



ALD equipment

Figure 12: Semiconductor Optical Fusion Device for Spatial Computing

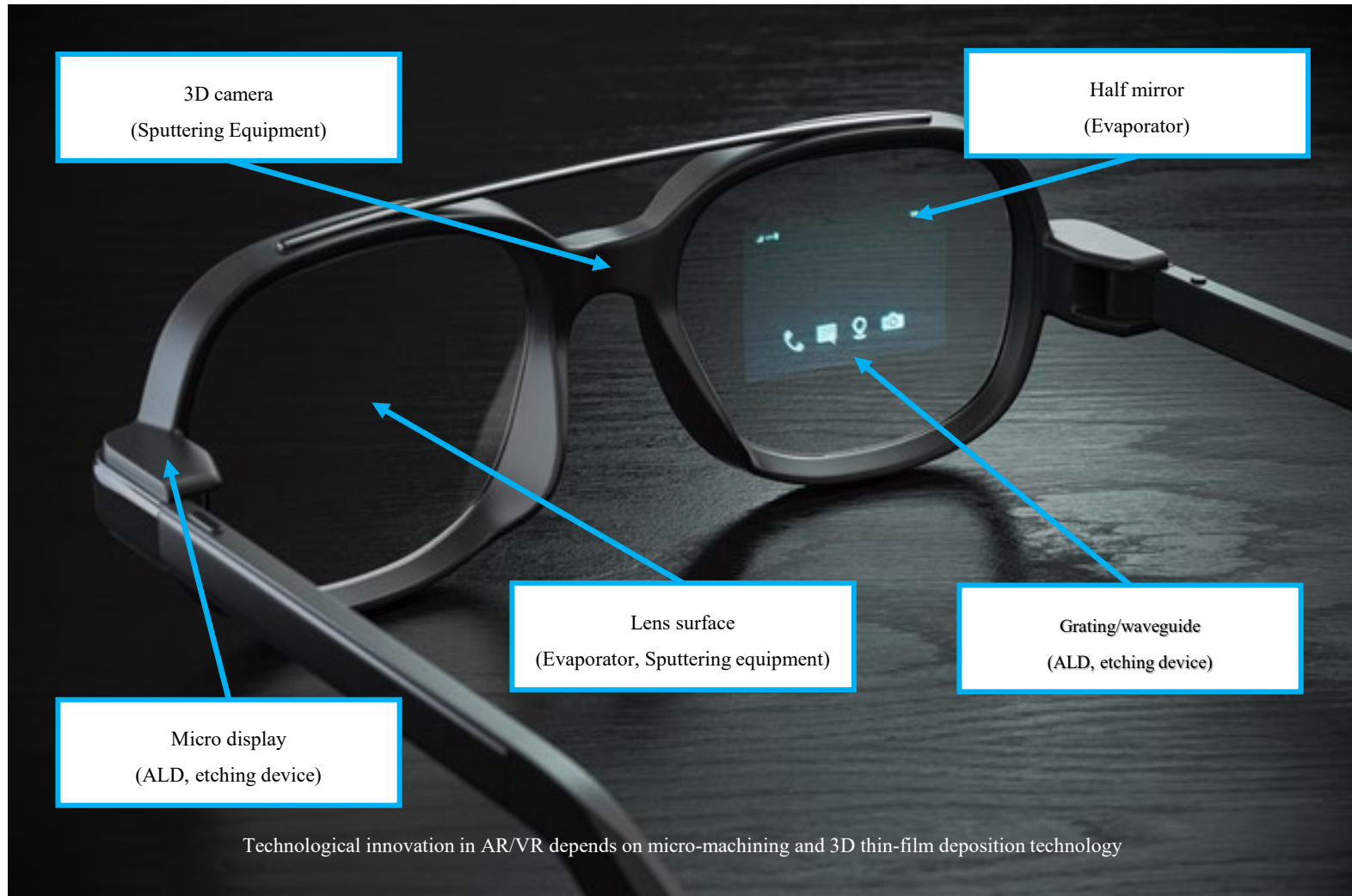
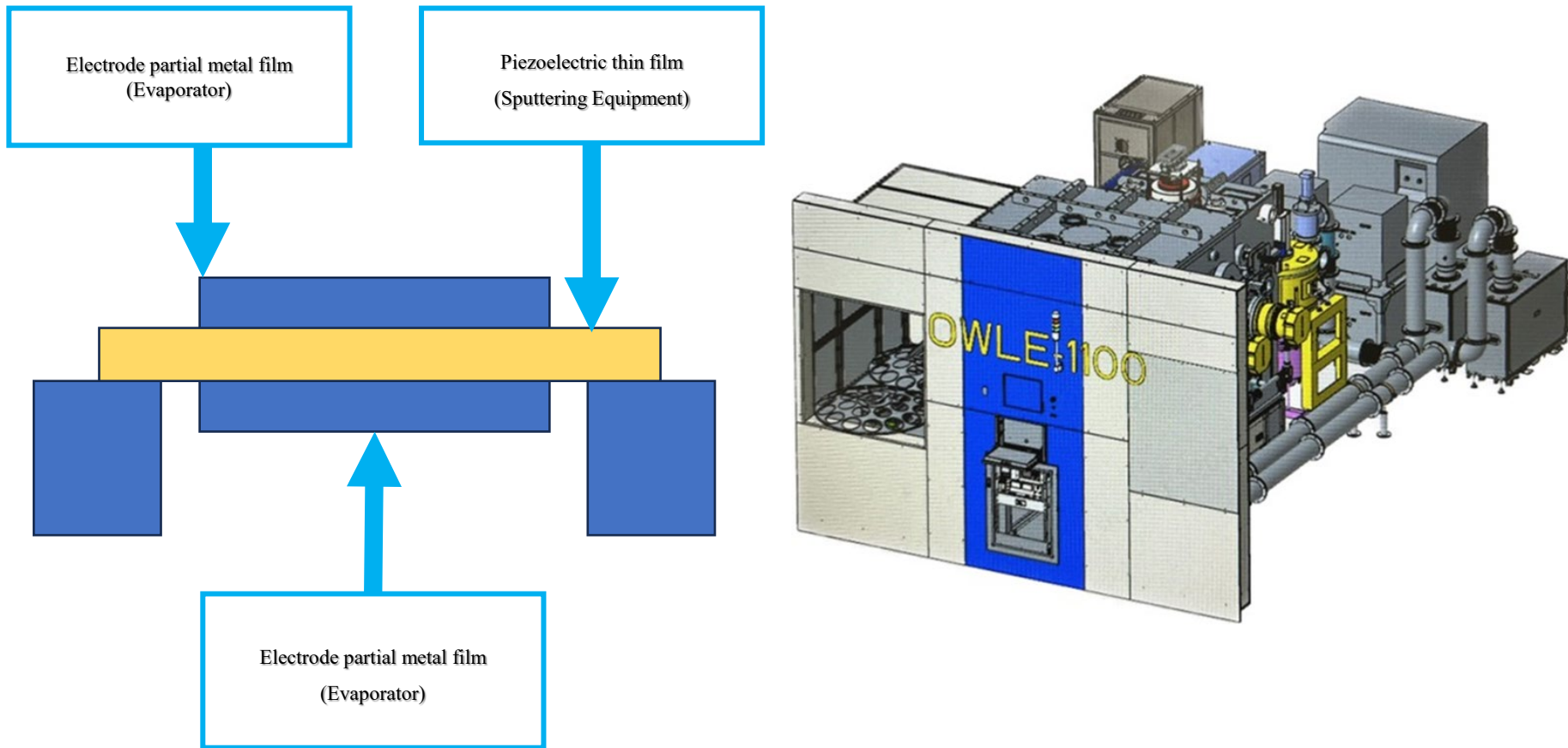


Figure 13: Electronic Device Deposition Equipment for BAW Filter (Bulk Surface Wave Filter)



Note: BAW filter stands for Bulk Acoustic Wave Filter, which is essential for mobile communication systems using 2 GHz or higher frequencies. SAW (Surface Acoustic Wave) filters are used for frequencies ranging between 800 Mhz and 2 GHz.

