

Optorun Co., Ltd.

QA Summary for Q2 FY12/22

For Q1:2Q orders, smartphones were strong, but will they continue in the second half of the term?

A1: The ALD orders for 2Q were strong for smartphone camera modules. It is hoped that this trend will continue in the second half.

Q2: New ALD subsidiary is expected to invest JPY11 bn (500 million Chinese Yuan), but when will the cost be incurred and can it be recovered?

A2: The first building will be constructed, and the capital investment and SG&A expenses will be 300 million yuan for the first phase. Subsequently, there is a possibility that the second building will be constructed, and the remaining costs will be incurred.

New ALD subsidiary covers not only ALD but also etching technology related businesses, and the company plans to generate return high enough to cover the cost of capital.

Q3: What is the current impact of Shanghai Lockdown?

A3: In June, July and August, we increased our production level to near full production to make up for the shortfall caused by the lockdown in April and May.

Q4: Why was 2Q profitable and what's the likelihood of the high profitability to continue?

A4: In 2Q, the sales ratio of the new-type equipment was large, resulting in high gross margin. SG&A expenses sales ratio was lower than expected due to the lockdown in Shanghai. The sales ratio of new equipment is targeted at around 35% throughout this fiscal year. Taking into consideration the SG&A expenses are expected to rise above Q2 in accordance with the plan due to the recovery of operation after the lockdown, the operating profit margin for Q2 is considered to be relatively high compared to other quarters of the year.

Q5: Sales and orders for ALD were good. Why was that?

A5: Orders for 2Q are expected to be for investment in advanced functionality in response to the increasing size of smartphone camera modules, and there is strong demand for them. If the production volume is the same due to the use of larger lenses, the number of units needs to be large.

And above