



Optorun Co., Ltd.  
**Earnings Announcement**  
**For the Fiscal Year Ended**  
**December 2017**

February 14, 2018

# Financial Highlights (Consolidated)



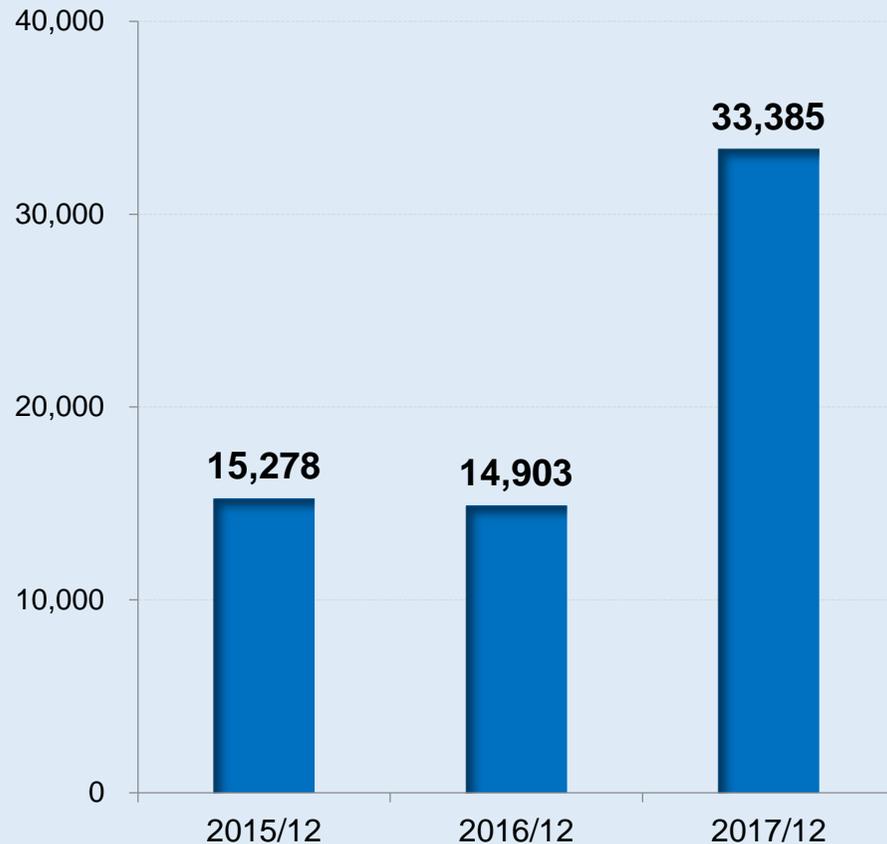
## Big increases in sales and earnings

Strong sales of coaters in the smartphone market and for LEDs and automotive parts

(Million yen)

	FY12/2016	FY12/2017	Growth
Net sales	14,903	33,385	+124.0%
Gross profit	5,017	14,154	+182.1%
Gross profit margin	33.7%	42.4%	—
Operating profit	2,380	7,327	+207.9%
Operating margin	16.0%	21.9%	—
Ordinary profit	2,030	7,095	+249.5%
Profit attributable to owners of parent	1,466	4,815	+228.3%

(Million yen)



## Expansion of optical thin film application Smartphones, LEDs, auto parts, IoT

### Smartphones

Newly developed optical thin film coaters for biometric authentication and smartphone back glass contributed to the sharp increase in sales, backed mainly by large orders.

### LEDs

Strong sales due to supplying products for the widening range of applications, including LED lighting, biometric authentication LEDs (LEDs to produce infrared and other light) and other products.

### Automobiles

Strong sales of products used for making automotive cameras and sensors.

# Orders Received and Order Backlog



## Consistently firm demand in the smartphone, LED, automobile and IoT markets

### Smartphones

Higher orders, mostly involving the new models for 2018

Only a small negative impact from the recent reduction in smartphone production

Strong orders from large smartphone manufacturers in China and Korea

### LEDs

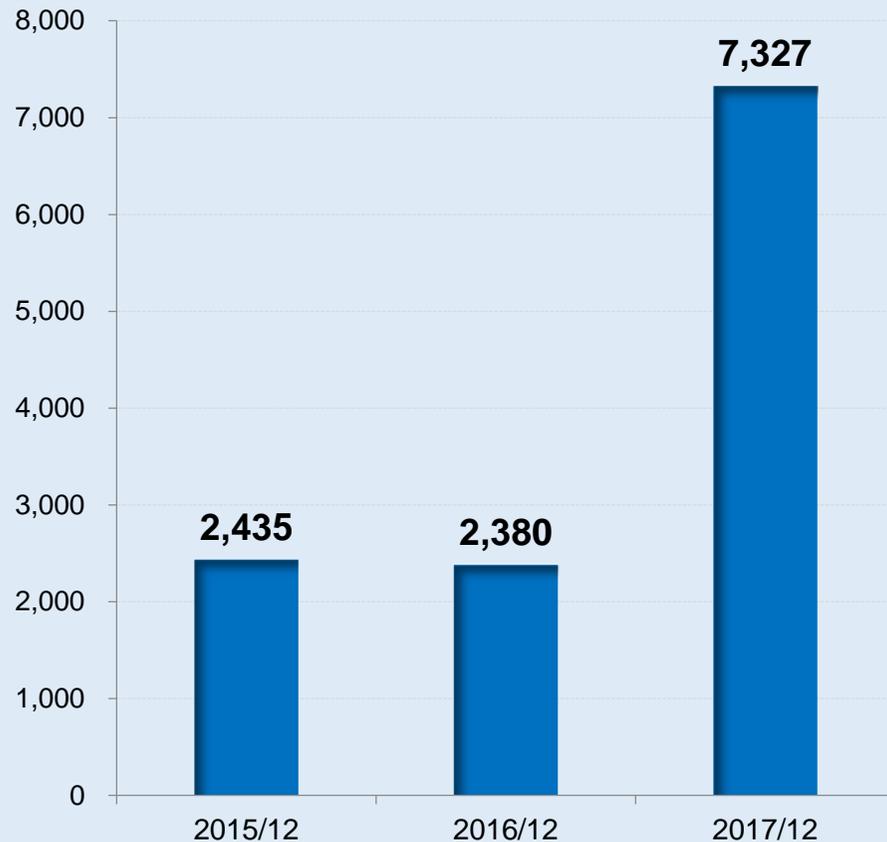
Increase in orders from large LED manufacturers in China, Korea and other countries

### Automobiles

Increase in orders from large camera module manufacturers in China

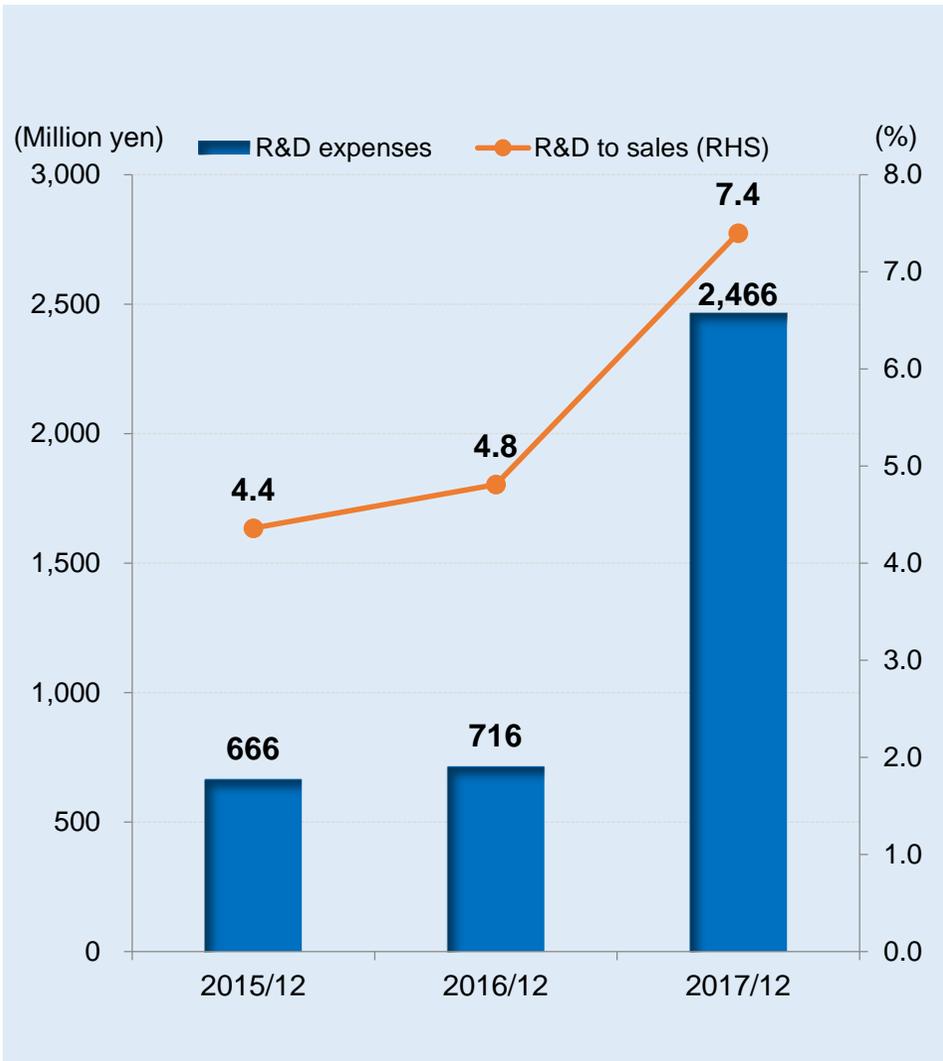
# Operating profit

(Million yen)



1. **Large orders** for sputtering coater made a big contribution to sales.
2. **Fixed expenses per unit produced decreased** because of the increase in production volume.
3. **Use of outsourcing** to cut time used at factories for production processes raised the volume of products shipped.

# Research and Development Expenses



- 1. Using resources for R&D is the highest priority due to the reliance of Optorun on R&D activities.**
- 2. Reinforced the R&D infrastructure consisting of the Japan head office and operations in China and Taiwan and increased the R&D workforce.**
- 3. Increasing the focus on R&D for new smartphone functions, automotive and IoT applications, and other fields.**

# Balance Sheet



(Million yen)

	Dec. 31 2016		Dec. 31 2017		
	Amount	%	Amount	%	Change
<b>Current assets</b>	20,173	92.8%	<b>52,255</b>	<b>92.6%</b>	+ 32,081
Cash and deposits	5,357	24.7%	<b>19,893</b>	<b>35.3%</b>	+ 14,536
Notes and accounts receivable - trade	4,180	19.2%	<b>3,380</b>	<b>6.0%</b>	(800)
Inventories	8,577	39.5%	<b>25,107</b>	<b>44.5%</b>	+ 16,530
Allowance for doubtful accounts	(108)	(0.5)%	<b>(181)</b>	<b>(0.3)%</b>	+ 72
Other	2,166	10.0%	<b>4,055</b>	<b>7.2%</b>	+1,888
<b>Non-current assets</b>	1,556	7.2%	<b>4,169</b>	<b>7.4%</b>	+ 2,613
<b>Total assets</b>	21,730	100.0%	<b>56,425</b>	<b>100.0%</b>	+ 34,695
<b>Current liabilities</b>	9,580	44.1%	<b>32,038</b>	<b>56.7%</b>	+22,457
Notes and accounts payable - trade	3,486	16.0%	<b>7,303</b>	<b>12.9%</b>	+ 3,817
Short-term interest-bearing debt	3,432	15.8%	<b>9,193</b>	<b>16.3%</b>	+5,761
Other	2,662	12.3%	<b>15,541</b>	<b>27.5%</b>	+12,879
<b>Non-current liabilities</b>	1,516	7.0%	<b>1,780</b>	<b>3.2%</b>	+ 264
Long-term interest-bearing debt	614	2.8%	<b>432</b>	<b>0.8%</b>	(181)
Other	902	4.2%	<b>1,347</b>	<b>2.4%</b>	+ 446
<b>Total liabilities</b>	11,096	51.1%	<b>33,818</b>	<b>59.9%</b>	+22,722
<b>Total net assets</b>	10,633	48.9%	<b>22,606</b>	<b>40.1%</b>	+ 11,972
<b>Total liabilities and net assets</b>	21,730	100.0%	<b>56,425</b>	<b>100.0%</b>	+ 34,695

- Proceeds from the initial public offering
- Receipt of sales associated with large orders

- Increase in finished products waiting for final approval

- Increase in finished products waiting for final approval caused advances received to increase

- Proceeds from the initial public offering
- Increase in retained earnings

# Cash Flows



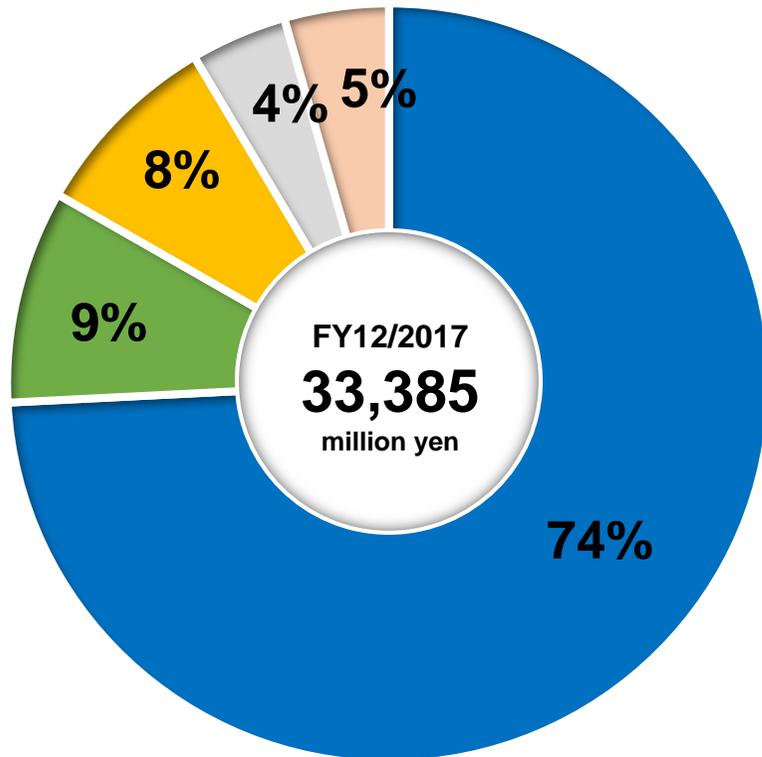
(Million yen)

	FY12/2016	FY12/2017		Major factors
	Amount	Amount	Change	
Cash flows from operating activities	(1,940)	<b>4,695</b>	+6,635	<ul style="list-style-type: none"> <li>• Increase in net income</li> <li>• Increase in advances received</li> </ul>
Cash flows from investing activities	928	<b>(2,768)</b>	(3,697)	<ul style="list-style-type: none"> <li>• Payments for the new factory in Taiwan</li> </ul>
Cash flows from financing activities	1,458	<b>12,446</b>	+10,988	<ul style="list-style-type: none"> <li>• Net increase in short-term loans payable</li> <li>• Proceeds from the sale of treasury stock (with the IPO)</li> </ul>
Effect of exchange rate change on cash and cash equivalents	(222)	<b>161</b>	+384	
Net increase (decrease) in cash and cash equivalents	224	<b>14,536</b>	+14,311	
Cash and cash equivalents at beginning of period	5,132	<b>5,357</b>	+224	
Cash and cash equivalents at end of period	5,357	<b>19,893</b>	+14,536	

# Market Category Sales Composition

New smartphone functions are raising demand for thin film

Sales by Category



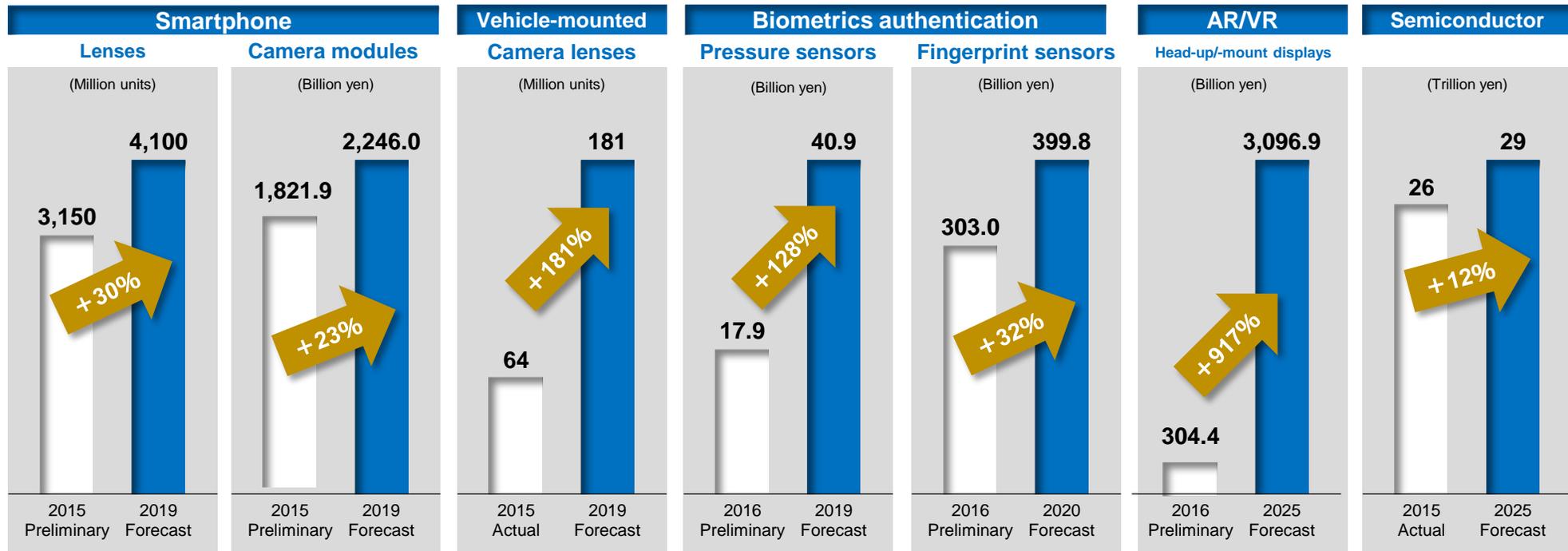
	Amount (million yen)	Y-o-Y Change
 Smartphone	24,771	+196.5%
 Camera lens	3,034	+37.5%
 IoT	2,734	+60.9%
 LED	1,367	+159.3%
 Others	1,477	(30.1)%

# The IoT Is Broadening the Potential for Growth



In addition to smartphones and automotive sensors, biometric authentication, AR/VR and semiconductor-optical integration are likely to be major sources of growth.

## Market size



Sources: For smartphone camera lenses, "2015 Data and Outlook for the Optical/Transparent Parts and Materials Market" by Fuji Keizai Co., Ltd.  
 For compact camera modules, "2016 Imaging and Sensing Market Survey" (February 2, 2016) by Fuji Chimera Research Institute, Inc.  
 For automotive camera lenses, "2016 Imaging and Sensing Market Survey" by Fuji Chimera Research Institute, Inc.  
 For pressure sensors and fingerprint sensors, "2017 Sensor Device/Big Data and IoT Market Survey" (April 11, 2017) (Volume 1) by Fuji Chimera Research Institute, Inc.  
 For AR/VR, "2017 AR/VR Market Outlook" (March 13, 2017) by Fuji Chimera Research Institute, Inc.  
 For semiconductors, "2017 Advanced/Key Semiconductor Market Status and Outlook" (January 17, 2017) by Fuji Chimera Research Institute, Inc.

# Major Growth Markets

## (1) Biometric Authentication, AR/VR, Fiber Optics

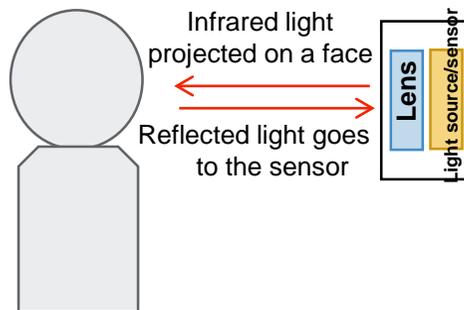
### Biometric Authentication

Accurately verifies faces and eyes



Example of facial authentication

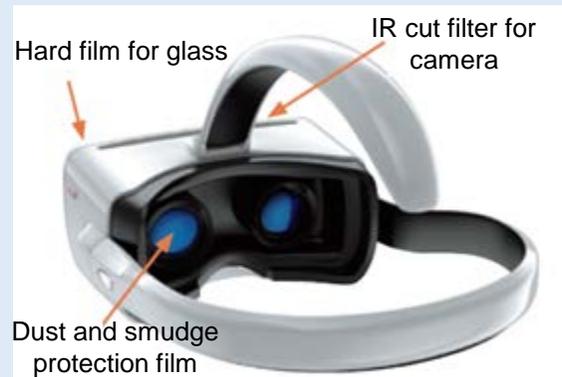
Biometric authentication camera



- Filter for infrared LED
- Bandpass filter for camera

### AR/VR

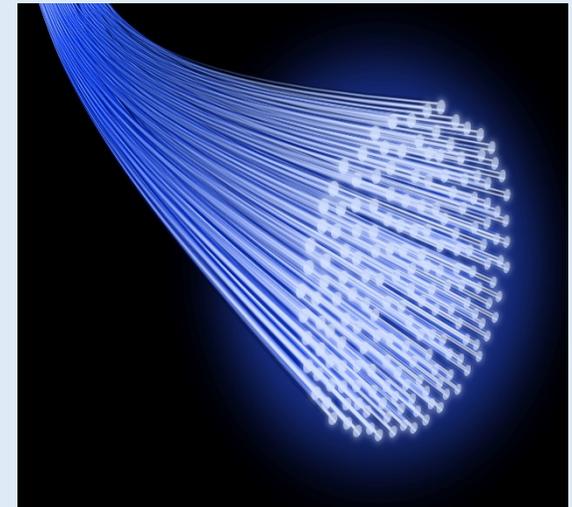
Projection of sharp pictures  
Screen resistant to scratches and soiling



- IR cut filter for camera
- Picture panel film to prevent soiling

### Fiber Optics

Higher transmission density of fiber-optic cables



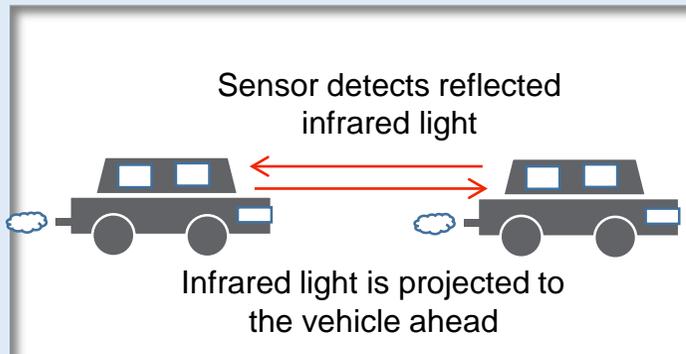
- Bandpass filter for dense wavelength division multiplexing modules

# Major Growth Markets

## (2) Automobiles

### Distance Sensor

Measures distance to a particular object



- LED and bandpass filter for the sensor

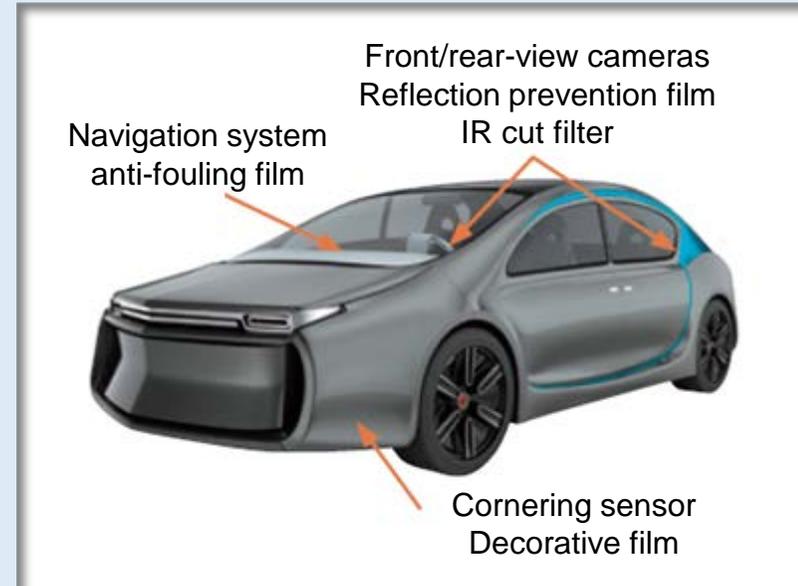
### Head-up Display

Clear image on wind screen without obstructing visibility



- Half-mirror film for display

### Thin Film for Automotive Parts



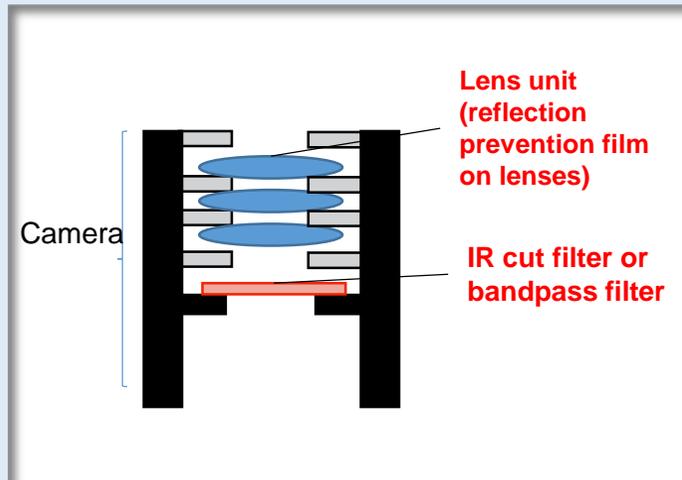
- Coating for automotive camera lenses
- Coating for sensors
- Coating for automotive mirrors

# Major Growth Markets

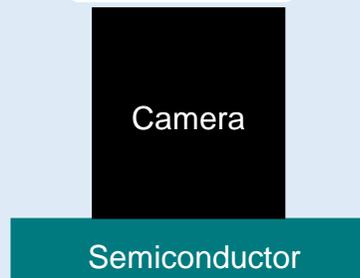
## (3) Semiconductor-Optical Integration

### Conventional method

#### Lens coating → Assemble

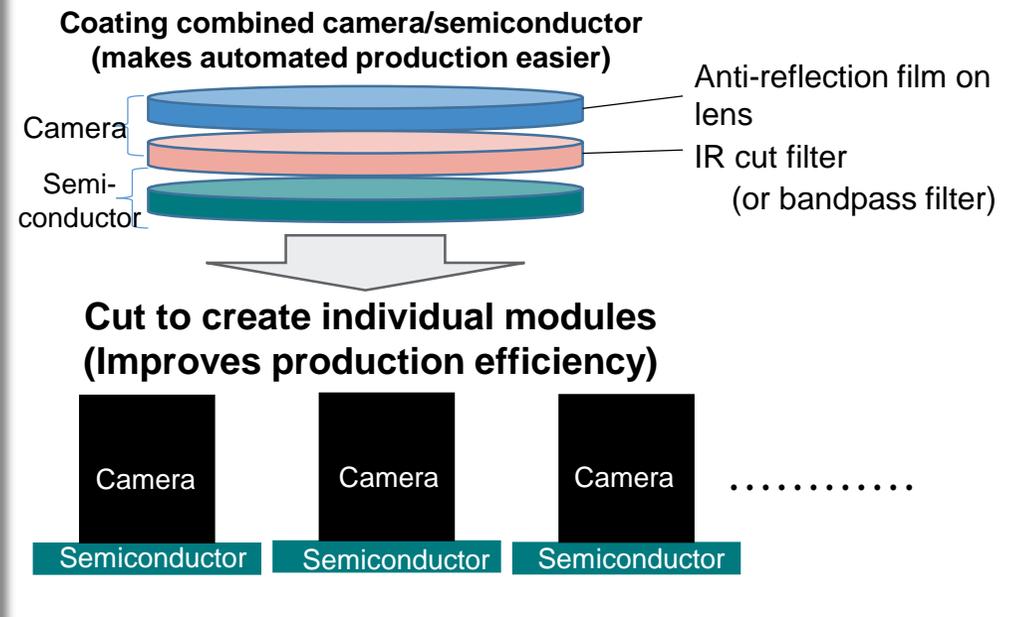


After the coating, the camera is combined with the semiconductor



### New method

#### Automated production and direct coating on semiconductor wafer

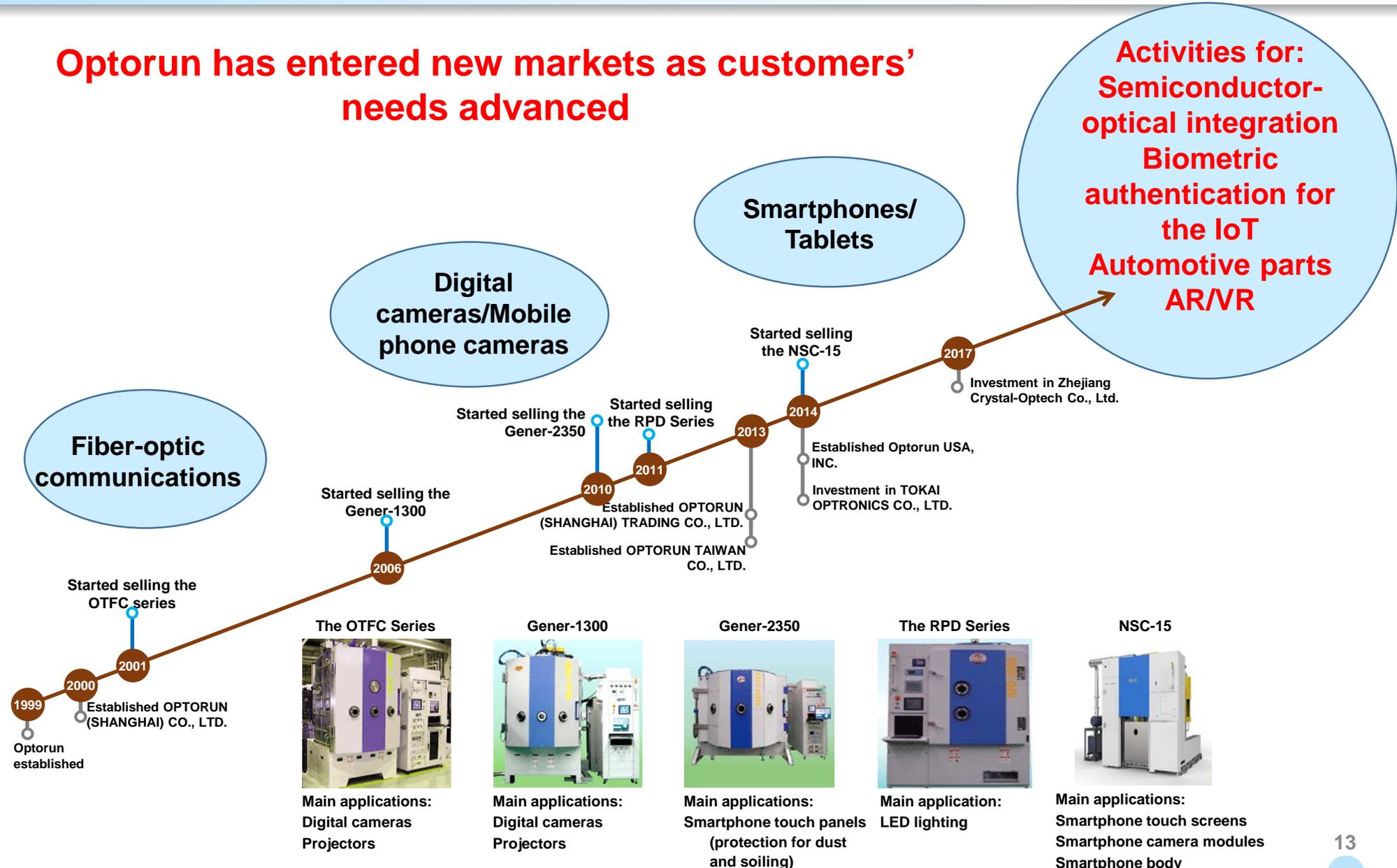


- Allows application of optical thin film coater on automated semiconductor production lines
- Forms film directly on silicon wafers

# Strategy for Medium and Long-term Growth



Optorun has entered new markets as customers' needs advanced



# Forecast for FY12/2018



(Million yen)

	FY12/2017 (Actual)	FY12/2018 (Forecast)	Change
Net sales	33,385	43,800	+31.2%
Operating profit	7,327	8,100	+10.5%
Operating margin	21.9%	18.5%	—
Ordinary profit	7,095	8,200	+15.6%
Profit attributable to owners of parent	4,815	5,700	+18.4%

- In 2018, we anticipate a continuation of demand for high-performance optical thin film coaters as new smartphones continue to add more advanced capabilities. The reduction in smartphone output early in 2018 will probably have only a small negative effect.
- In the LED sector, we expect orders for film coaters to remain strong for lighting products and LEDs used in smartphone biometric authentication systems.
- We also foresee growth in orders for automotive applications, including cameras, proximity sensors to prevent collisions, head-up displays and other products.
- Continuing progress involving the IoT will probably broaden demand for optical thin film coating used to make lenses and optical sensors.

# Disclaimer, Precautions and Inquiries



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Even if there is new information, a future event or some other item that affects the outlook, Optorun has no obligation to update or revise the forward looking

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