



Optorun Co., Ltd.
Financial Results (Third Quarter 2019)

I. Financial summary for results of Q3 ending December 2019	P 2
--	------------

I. Financial summary for results of Q3 ending December 2019

- Financial result highlights (consolidated)
- Orders received and order backlog (total for 2019 Q3)
- Operating profit (total for 2019 Q3)
- Sales (2019 Q3)
- Orders received and order backlog (2019 Q3)
- Operating profit (2019 Q3)
- Financial condition

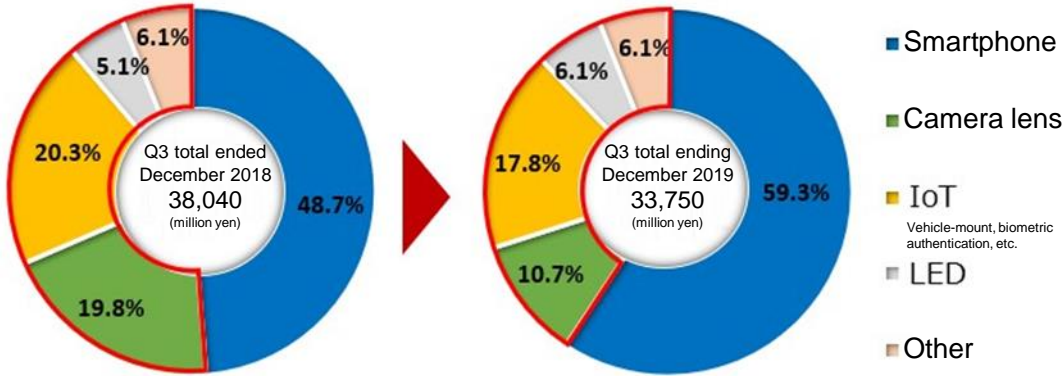
Financial Result Highlights (consolidated)

- Customers seem to be holding back on capital investment due to lengthening of the US-China trade conflict, leading to a decline in sales over the same period a year earlier. Lower sales in Q3 was reflected in this decline.
- Operating profit margin remained almost unchanged from the previous year.
- Smartphone sales grew thanks to brisk sales in the US, China, and South Korea.
- We also secured sales for camera lenses, IoT, and LED applications.
- Compared with the 2019 earnings forecast, the achievement rate in Q3 was 73% for sales, 81% for ordinary profit, and 89% for net profit.

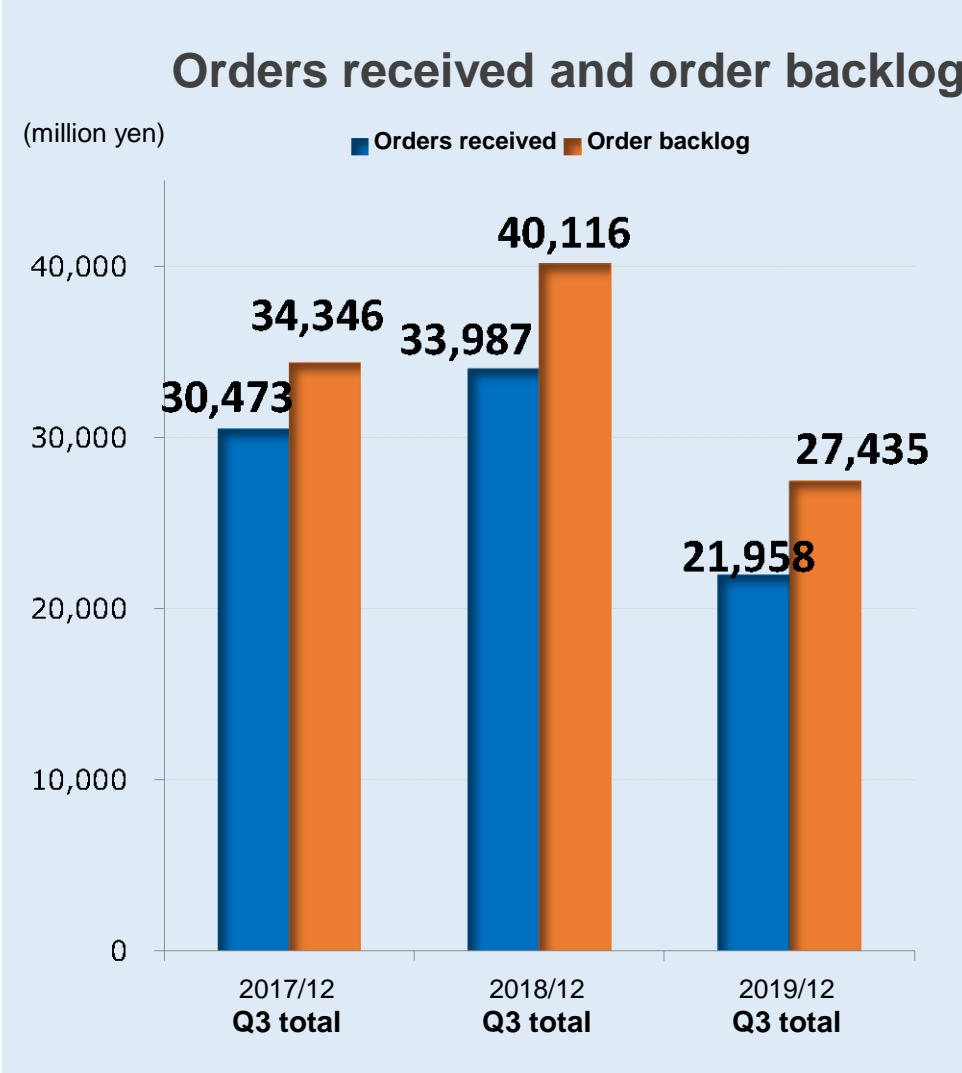
[Comparison of business results] (million yen)

	Q3 total ended December 2018	Q3 total ending December 2019	Year-over-year
Sales	38,040	33,750	-11.3%
Operating profit	10,416	8,801	-15.5%
(Operating profit margin)	(27.4%)	(26.1%)	-1.3%
Ordinary profit	10,913	9,148	-16.2%
Quarterly net profit attributable to shareholders of parent company	7,952	7,469	-6.1%
R&D expenses	2,358	2,241	-5.0%

[Sales by category]

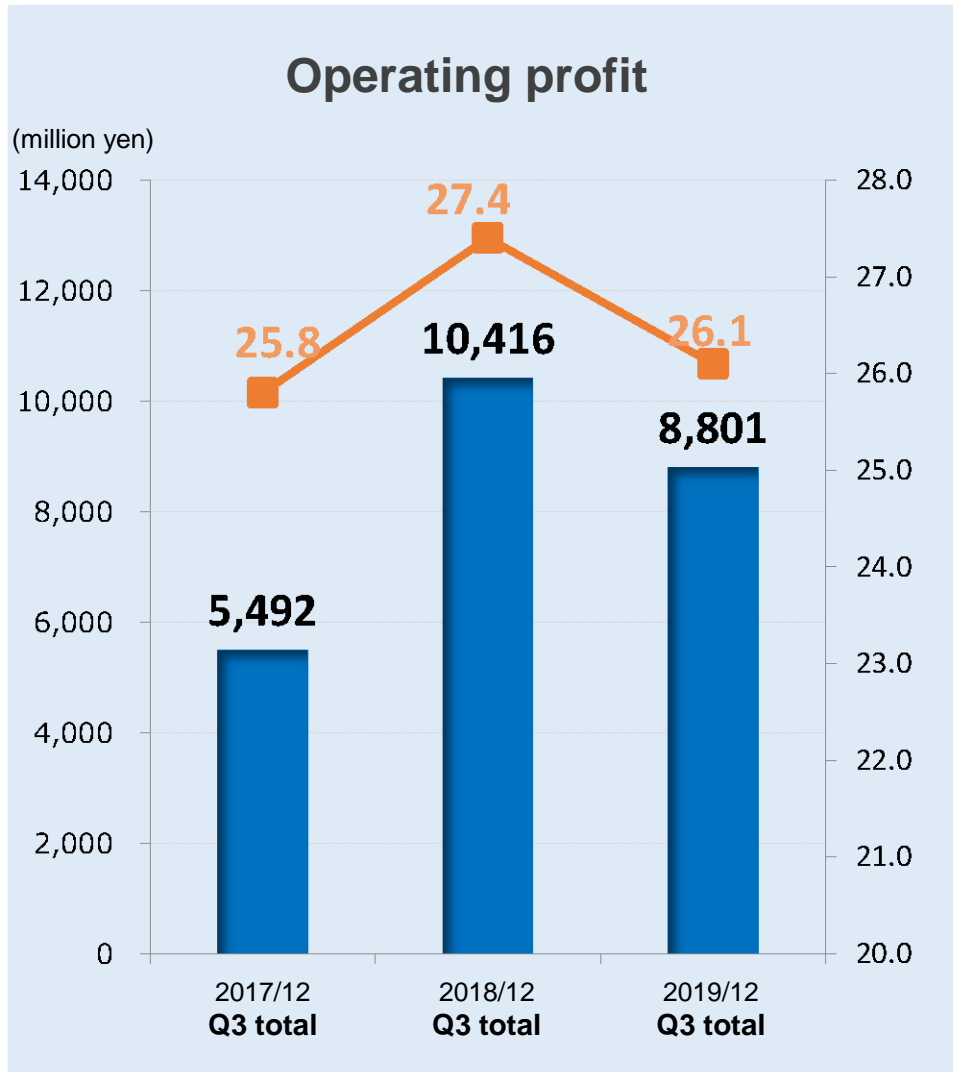


Orders received and order backlog (total for 2019 Q3)



- <Total orders received in 2019 Q3>
- Orders fell 35% from a year earlier, reflecting declines in orders in the Q1 and Q3 2019. Customers are holding back on capital investment due to trade conflict between the US and China.
 - The order composition was 5 : 4 : 1 for vapor deposition equipment : sputtering equipment : parts service.
 - Orders for smartphones were secured from China and South Korea. We are expecting future orders from the US.
 - Orders from Chinese camera lens manufacturers have been strong.
 - We secured orders for our IoT products in the biometric authentication and vehicle-mount fields.
 - We also secured orders for new equipment.

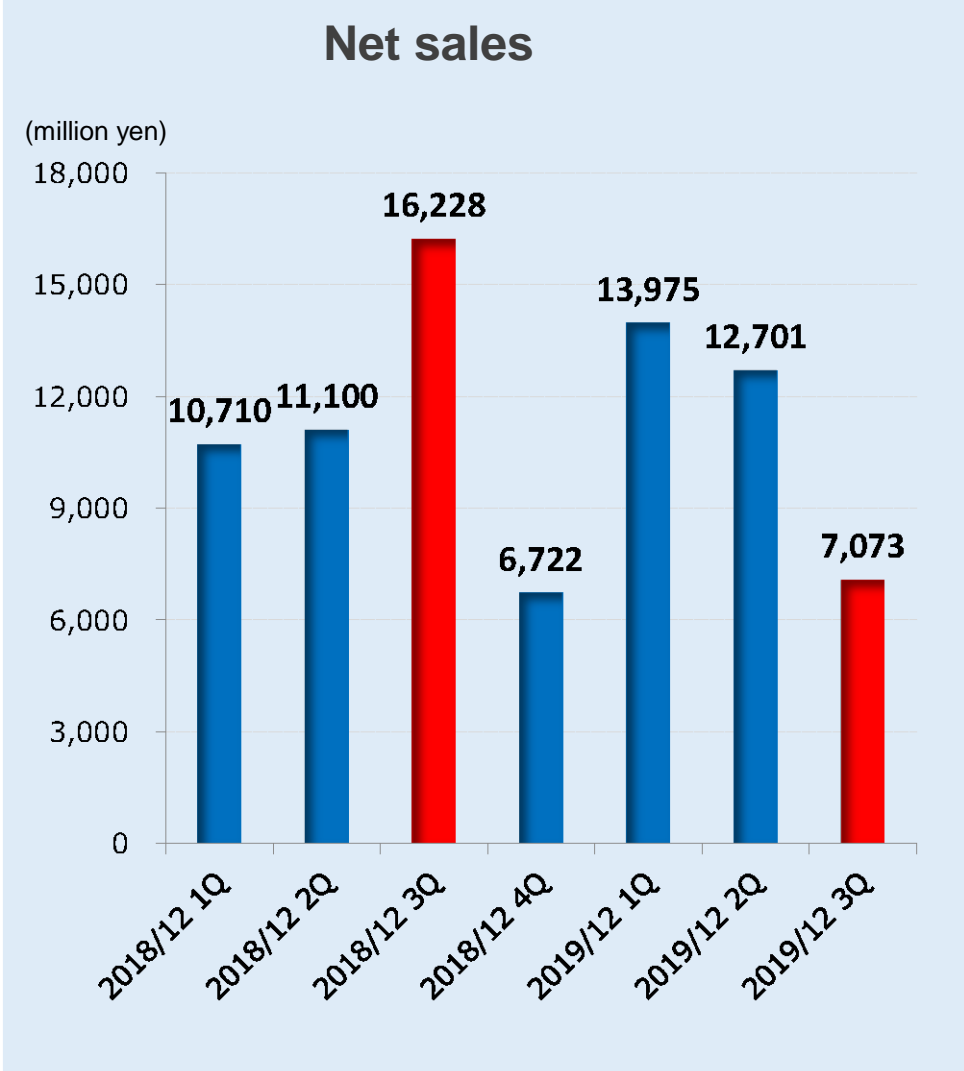
Operating profit (total for 2019 Q3)



<Total operating profit for 2019 Q3>

- Operating profit margin remained high at 26.1% (-1.3% YOY)
- Cost ratio was almost unchanged from a year earlier at 59.0%.
- SG&A expenses increased by 1.3%, reflecting lower sales.

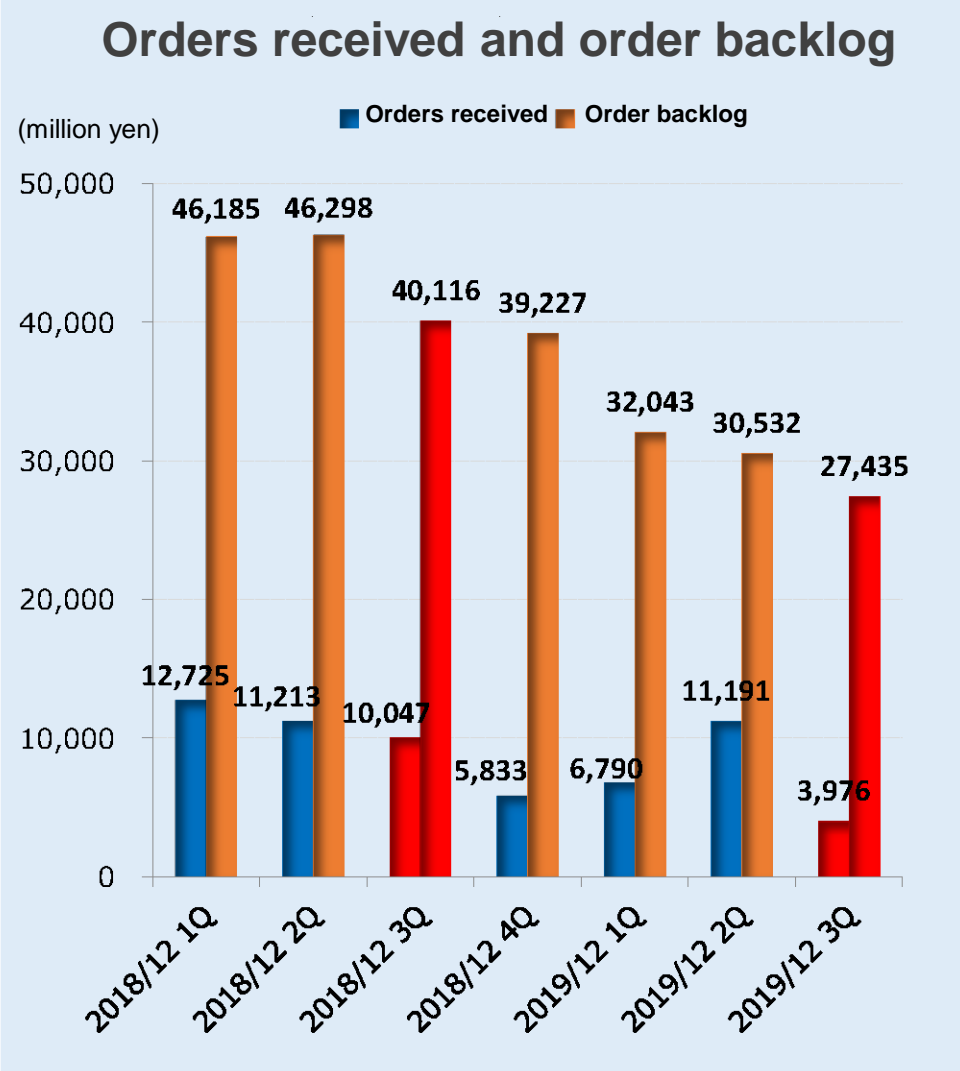
Sales (2019 Q3)



<Sales for 2019 Q3>

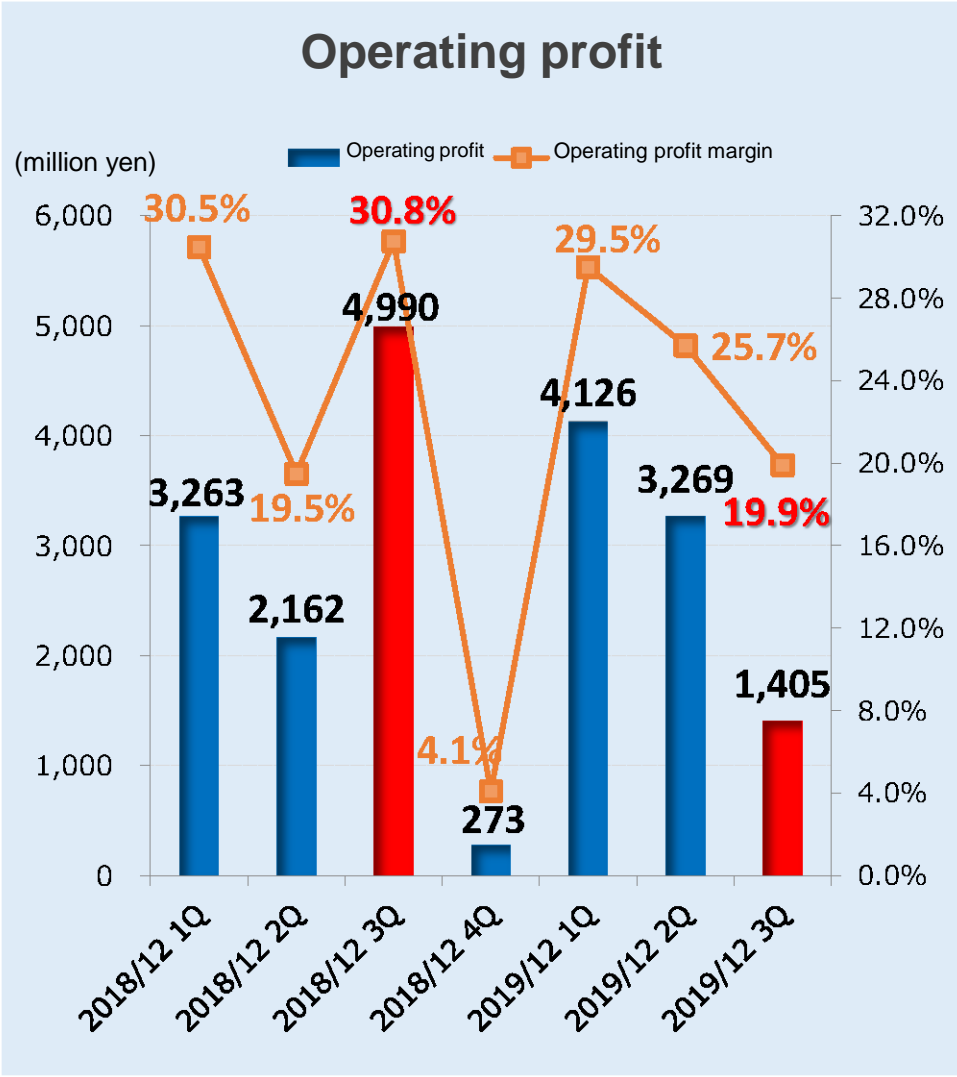
- Sales were down from a year earlier. Equipment sales were for customers in China, South Korea, and Japan.
- Sputtering equipment accounted for half of sales.
- Smartphone products for non-North American customers included higher performance 3D, casing-back-glass, decorative film, and camera modules.
- For camera lenses, sales for antireflection film deposition equipment for enhanced smartphone functionality has been strong.
- In the IoT applications, we secured sales for vehicle-mount, biometric authentication, and optical communications.
- In LEDs, sales of LED lighting, etc. were strong.
- Sales of new equipment were accounted for by DBR equipment for LEDs and film deposition equipment for vehicle-mount instrumental panels.

Orders received and order backlog (2019 Q3)



- ### <Orders received in 2019 Q3>
- Orders fell from a year earlier.
 - From the latter half of Q2 to Q3, the impact of trade friction between the US and China was remarkable, and orders slowed again as customers adopted a wait-and-see attitude.
 - However, needs for new technology and high-performance film deposition remain strong, and needs for high-performance film deposition equipment are potentially strong.
 - Looking ahead to 2020, it seems that US, Chinese, South Korean, and Japanese companies are keen to place orders.

Operating profit (2019 Q3)



- ### <Operating profit for 2019 Q3>
- Operating profit margin was 19.9% (-10.9% YOY)
 - Cost ratio was 59.3%, almost unchanged from a year earlier. (59.2% YOY)
 - SG&A expenses were +10.8%, reflecting lower sales.

Financial condition



(million yen)

	As of end December 2018		As of end September 2019		
	Amount	Percentage	Amount	Percentage	Change
Current assets	48,142	86.5%	49,362	86.3%	+1,219
Cash and deposits	15,740	28.3%	28,181	49.3%	+12,440
Trade notes and accounts receivable	6,837	12.3%	4,302	7.5%	-2,534
Inventories	24,487	44.0%	16,247	28.4%	-8,239
Allowance for doubtful accounts	-420	-0.8%	-364	-0.6%	+55
Other	1,497	2.7%	995	1.7%	-502
Non-current assets	7,501	13.5%	7,819	13.7%	+317
Total assets	55,644	100.0%	57,181	100.0%	+1,537
Current liabilities	25,922	46.6%	22,977	40.2%	-2,944
Trade notes and accounts payable	1,652	3.0%	3,428	6.0%	+1,776
Short-term interest-bearing debt	756	1.4%	527	0.9%	-229
Accrued corporate taxes	1,143	2.1%	457	0.8%	-686
Advances received	20,108	36.1%	16,611	29.0%	-3,497
Other	2,261	4.1%	1,953	3.4%	-307
Non-current liabilities	1,658	3.0%	1,626	2.8%	-31
Long-term interest-bearing debt	233	0.4%	185	0.3%	-47
Other	1,425	2.6%	1,440	2.5%	+15
Total liabilities	27,581	49.6%	24,604	43.0%	-2,976
Total net assets	28,062	50.4%	32,577	57.0%	+4,514
Total liabilities and net assets	55,644	100.0%	57,181	100.0%	+1,537

• Cash and deposits increased as accounts receivable collection progressed

• Decrease in inventories due to posting of sales for which products were accepted

• Decrease in advances received due to posting of sales