

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2017 (Based on Japanese GAAP)

February 13, 2018

Company name: Optorun Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6235 URL <http://www.optorun.co.jp>
 Representative: Chief Operating Officer Ihei Hayashi
 Inquiries: CFO, Director & Senior Executive Officer Toshinori Takahashi TEL 049-239-3381
 Scheduled date of ordinary general meeting of shareholders: March 28, 2018
 Scheduled date to file Securities Report: March 28, 2018
 Scheduled date to commence dividend payments: March 29, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2017 (from January 1, 2017 to December 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2017	33,385	124.0	7,327	207.9	7,095	249.5	4,815	228.3
Year ended December 31, 2016	14,903	(2.5)	2,380	(2.3)	2,030	(7.3)	1,466	(1.2)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2017	134.56	124.72	29.0	18.2	21.9
Year ended December 31, 2016	41.16	—	14.4	10.9	16.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	56,425	22,606	40.0	552.38
As of December 31, 2016	21,730	10,633	48.9	298.24

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2017	4,695	(2,768)	12,446	19,893
Year ended December 31, 2016	(1,940)	928	1,458	5,357

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2016	—	0.00	—	28,000.00	28,000.00	332	22.7	3.3
Year ended December 31, 2017	—	0.00	—	40.00	40.00	1,636	29.7	9.4
Year ending December 31, 2018 (Forecast)	—	0.00	—	42.00	42.00		30.1	

3. Forecast of consolidated financial results for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	43,800	31.2	8,100	10.5	8,200	15.6	5,700	18.4	139.34

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2017	44,358,000 shares	As of December 31, 2016	49,560,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	3,450,000 shares	As of December 31, 2016	13,932,000 shares
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Average number of shares during the period

Year ended December 31, 2017	35,786,466 shares	Year ended December 31, 2016	35,628,000 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	5,357,601	19,893,800
Notes and accounts receivable - trade	4,180,493	3,380,450
Work in process	7,118,169	20,228,921
Raw materials and supplies	1,458,883	4,878,864
Deferred tax assets	312,814	963,357
Other	1,854,135	3,091,683
Allowance for doubtful accounts	(108,297)	(181,290)
Total current assets	20,173,800	52,255,788
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,177,580	2,155,600
Accumulated depreciation	(575,989)	(662,905)
Buildings and structures, net	601,591	1,492,695
Machinery, equipment and vehicles	1,325,770	1,154,768
Accumulated depreciation	(746,231)	(800,434)
Machinery, equipment and vehicles, net	579,538	354,333
Land	–	868,194
Leased assets	17,628	60,576
Accumulated depreciation	(7,367)	(16,619)
Leased assets, net	10,261	43,957
Construction in progress	38,634	–
Other	151,085	257,093
Accumulated depreciation	(119,058)	(153,440)
Other, net	32,026	103,652
Total property, plant and equipment	1,262,051	2,862,834
Intangible assets	29,575	81,102
Investments and other assets		
Investment securities	44,216	215,829
Investments in capital	–	725,374
Deferred tax assets	19,861	36,945
Other	200,985	247,854
Total investments and other assets	265,063	1,226,004
Total non-current assets	1,556,690	4,169,940
Total assets	21,730,491	56,425,729

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,486,248	7,303,432
Short-term loans payable	3,162,424	8,970,637
Current portion of long-term loans payable	265,992	209,742
Lease obligations	3,754	13,031
Income taxes payable	381,404	1,757,632
Advances received	1,334,253	11,327,160
Provision for bonuses	173,336	435,049
Provision for directors' bonuses	23,098	164,924
Provision for product warranties	19,387	68,558
Other	730,470	1,788,161
Total current liabilities	9,580,369	32,038,328
Non-current liabilities		
Long-term loans payable	607,598	397,856
Lease obligations	7,059	35,000
Deferred tax liabilities	535,692	977,848
Provision for directors' retirement benefits	244,440	235,337
Net defined benefit liability	121,485	125,119
Other	—	9,475
Total non-current liabilities	1,516,275	1,780,637
Total liabilities	11,096,645	33,818,966
Net assets		
Shareholders' equity		
Capital stock	400,000	400,000
Capital surplus	2,495,477	9,052,807
Retained earnings	8,388,470	12,871,295
Treasury shares	(915,698)	(226,755)
Total shareholders' equity	10,368,249	22,097,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,736	5,451
Deferred gains or losses on hedges	—	(86,078)
Foreign currency translation adjustment	251,809	580,148
Total accumulated other comprehensive income	257,545	499,521
Non-controlling interests	8,050	9,895
Total net assets	10,633,845	22,606,763
Total liabilities and net assets	21,730,491	56,425,729

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	14,903,288	33,385,544
Cost of sales	9,885,938	19,231,481
Gross profit	5,017,350	14,154,062
Selling, general and administrative expenses	2,637,239	6,826,595
Operating profit	2,380,110	7,327,467
Non-operating income		
Interest income	37,834	24,043
Rent income	–	82,227
Other	26,590	33,307
Total non-operating income	64,424	139,578
Non-operating expenses		
Interest expenses	13,329	60,820
Foreign exchange losses	329,669	206,643
Share of loss of entities accounted for using equity method	58,850	52,327
Other	12,563	51,901
Total non-operating expenses	414,413	371,693
Ordinary profit	2,030,122	7,095,353
Extraordinary income		
Gain on sales of non-current assets	–	15,523
Gain on change in equity	15,063	15,755
Total extraordinary income	15,063	31,279
Profit before income taxes	2,045,185	7,126,632
Income taxes - current	473,413	2,461,895
Income taxes - deferred	108,204	(152,594)
Total income taxes	581,617	2,309,300
Profit	1,463,568	4,817,332
Profit (loss) attributable to non-controlling interests	(3,052)	1,979
Profit attributable to owners of parent	1,466,620	4,815,352

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit	1,463,568	4,817,332
Other comprehensive income		
Valuation difference on available-for-sale securities	1,794	(285)
Deferred gains or losses on hedges	–	(86,078)
Foreign currency translation adjustment	(363,021)	318,968
Share of other comprehensive income of entities accounted for using equity method	(10,921)	9,370
Total other comprehensive income	(372,147)	241,975
Comprehensive income	1,091,420	5,059,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,094,752	5,057,351
Comprehensive income attributable to non-controlling interests	(3,332)	1,956

Consolidated statements of changes in equity

Fiscal year ended December 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	400,000	2,500,908	7,159,369	(915,698)	9,144,579
Changes of items during period					
Dividends of surplus			(237,520)		(237,520)
Profit attributable to owners of parent			1,466,620		1,466,620
Change in ownership interest of parent due to transactions with non-controlling interests		(5,430)			(5,430)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(5,430)	1,229,100	–	1,223,669
Balance at end of current period	400,000	2,495,477	8,388,470	(915,698)	10,368,249

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	3,942	–	625,751	629,693	48,679	9,822,953
Changes of items during period						
Dividends of surplus				–		(237,520)
Profit attributable to owners of parent				–		1,466,620
Change in ownership interest of parent due to transactions with non-controlling interests				–		(5,430)
Net changes of items other than shareholders' equity	1,794	–	(373,942)	(372,147)	(40,629)	(412,777)
Total changes of items during period	1,794	–	(373,942)	(372,147)	(40,629)	810,892
Balance at end of current period	5,736	–	251,809	257,545	8,050	10,633,845

Fiscal year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	400,000	2,495,477	8,388,470	(915,698)	10,368,249
Changes of items during period					
Dividends of surplus			(332,528)		(332,528)
Profit attributable to owners of parent			4,815,352		4,815,352
Disposal of treasury shares		6,899,237		347,034	7,246,272
Retirement of treasury shares		(341,908)		341,908	–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	6,557,329	4,482,824	688,942	11,729,096
Balance at end of current period	400,000	9,052,807	12,871,295	(226,755)	22,097,346

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	5,736	–	251,809	257,545	8,050	10,633,845
Changes of items during period						
Dividends of surplus				–		(332,528)
Profit attributable to owners of parent				–		4,815,352
Disposal of treasury shares				–		7,246,272
Retirement of treasury shares				–		–
Net changes of items other than shareholders' equity	(285)	(86,078)	328,339	241,975	1,844	243,820
Total changes of items during period	(285)	(86,078)	328,339	241,975	1,844	11,972,917
Balance at end of current period	5,451	(86,078)	580,148	499,521	9,895	22,606,763

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,045,185	7,126,632
Depreciation	213,540	257,843
Increase (decrease) in allowance for doubtful accounts	(49,467)	72,992
Increase (decrease) in provision for bonuses	92,650	246,754
Increase (decrease) in provision for directors' bonuses	(103,021)	141,825
Increase (decrease) in net defined benefit liability	19,228	3,634
Increase (decrease) in provision for directors' retirement benefits	21,940	(9,103)
Interest income	(37,834)	(24,043)
Interest expenses	13,329	60,820
Foreign exchange losses (gains)	44,100	(102,215)
Share of (profit) loss of entities accounted for using equity method	58,850	52,327
Decrease (increase) in notes and accounts receivable - trade	(1,793,698)	1,094,518
Decrease (increase) in inventories	(4,483,946)	(16,070,472)
Increase (decrease) in notes and accounts payable - trade	2,853,840	3,329,330
Increase (decrease) in advances received	494,048	9,948,216
Decrease (increase) in consumption taxes refund receivable	(140,934)	(1,314,503)
Other, net	(501,231)	1,012,300
Subtotal	(1,253,417)	5,826,858
Interest income received	37,834	24,043
Interest expenses paid	(13,329)	(63,682)
Income taxes paid	(711,114)	(1,091,291)
Net cash provided by (used in) operating activities	(1,940,027)	4,695,928
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	1,224,960	–
Purchase of property, plant and equipment	(316,027)	(1,820,672)
Purchase of intangible assets	(3,143)	(60,076)
Purchase of investment securities	–	(216,600)
Payments for investments in capital	–	(677,220)
Collection of loans receivable	23,041	6,300
Net cash provided by (used in) investing activities	928,830	(2,768,269)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,487,867	5,808,047
Proceeds from long-term loans payable	500,000	–
Repayments of long-term loans payable	(245,160)	(265,992)
Repayments of lease obligations	(3,754)	(9,165)
Proceeds from disposal of treasury shares	–	7,246,272
Cash dividends paid	(237,520)	(332,528)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(42,840)	–
Net cash provided by (used in) financing activities	1,458,592	12,446,633

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Effect of exchange rate change on cash and cash equivalents	(222,777)	161,906
Net increase (decrease) in cash and cash equivalents	224,618	14,536,199
Cash and cash equivalents at beginning of period	5,132,982	5,357,601
Cash and cash equivalents at end of period	5,357,601	19,893,800