



Optorun Co., Ltd.

**Earnings Announcement  
For the First Half of the Fiscal Year  
Ending December 2018**

August 10, 2018

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# I. Outline of the financial results

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- Orders Received and Order Backlog
- Net Sales
- Net Sales by Categories
- Operating Profit
- Research and Development Expenses
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# Financial Highlights (Consolidated)



## Big increases in sales and earnings

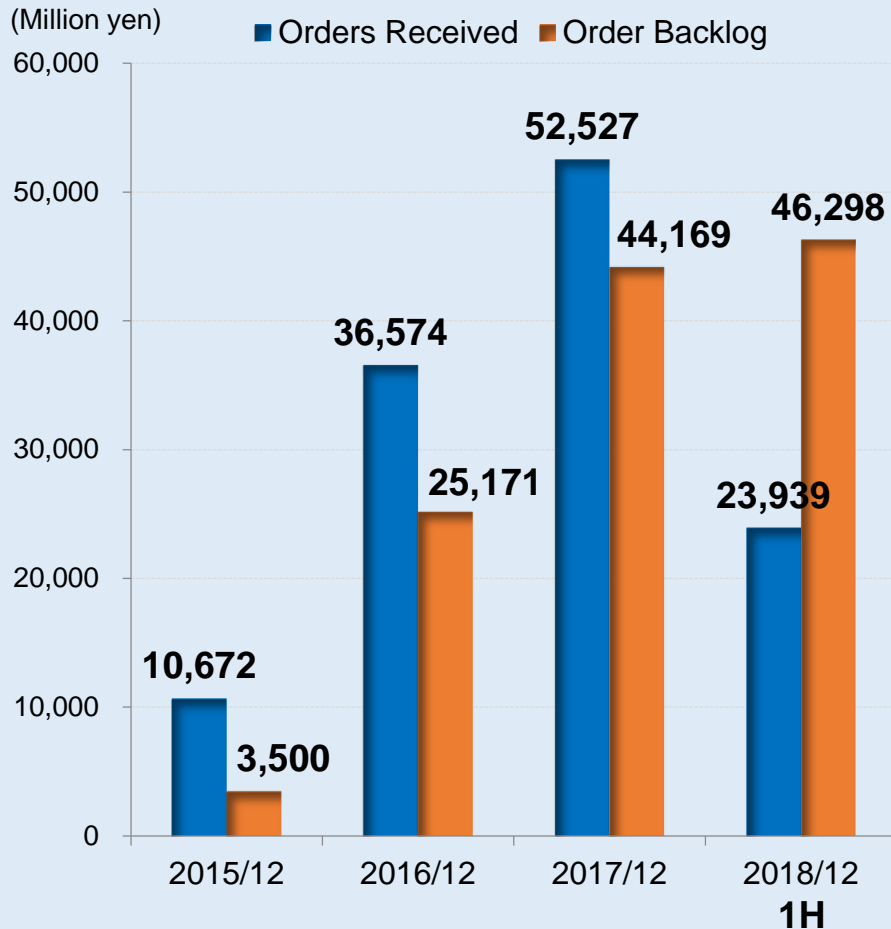
Higher sales of optical thin film coaters in the smartphone and LED sectors; coaters for surveillance camera lenses and IoT applications (biometric authentication, automotive components, etc.) are major sources of growth.

Negative impact of U.S.-China trade friction and low stock prices in China was small; close ties with customers are essential as their demands increase for more advanced film formation technologies and faster deliveries.

(Million yen)

	1H FY12/2017	1H FY12/2018	Growth
<b>Net sales</b>	8,971	21,811	+143.1%
<b>Gross profit</b>	4,009	8,985	+124.1%
<b>Gross profit margin</b>	44.7%	41.2%	—
<b>Operating profit</b>	1,750	5,425	+210.0%
<b>Operating margin</b>	19.5%	24.9%	—
<b>Ordinary profit</b>	1,733	5,719	+229.9%
<b>Profit attributable to owners of parent</b>	819	3,972	+385.0%

# Orders Received and Order Backlog



**Vacuum deposition equipment is 70% of orders and sputtering coaters is 30%, pointing to growth of the equipment category**

## Smartphones

Large volume of orders in China, Korea and other East Asian countries  
Strong orders for coaters for 3D and glass back covers

## Camera lenses

More growth in orders for high-performance coaters from Chinese surveillance camera manufacturers

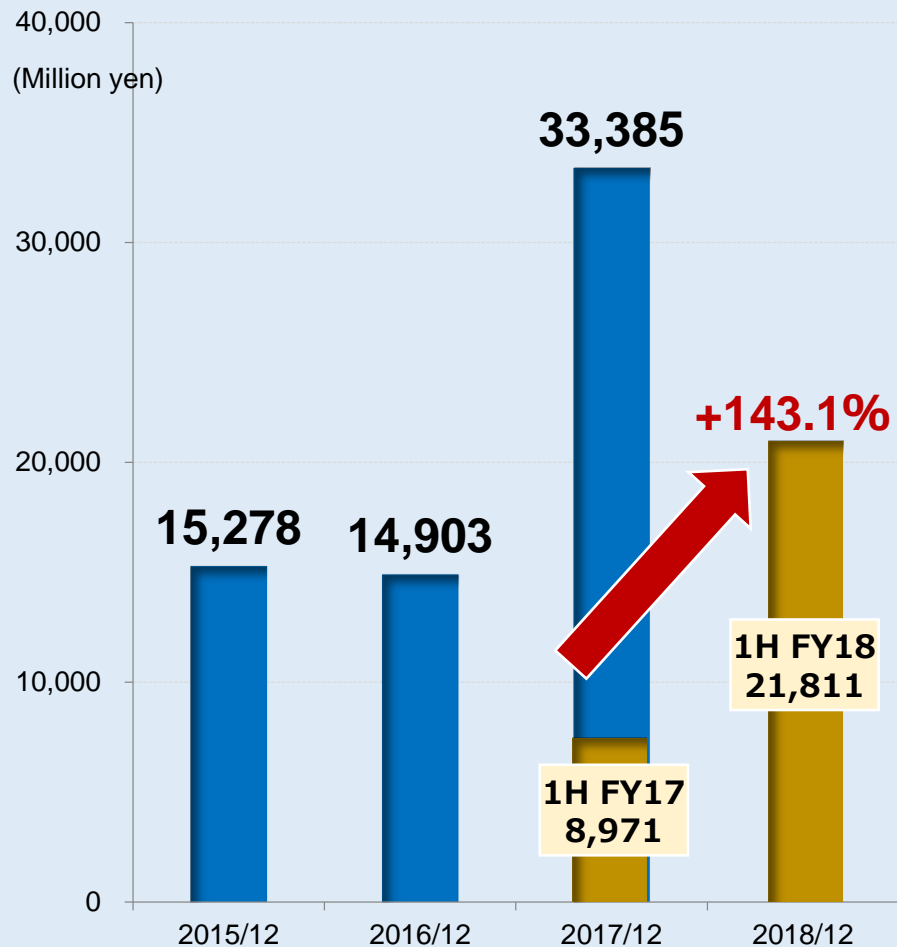
## Biometric authentication

Increase in orders involving 3D (facial) authentication

## Automobiles

Increase in orders involving cameras and sensor panels

# Net Sales



- Higher sales for smartphone applications to manufacturers in North America as well as in China and Korea; strong demand for decorative coatings for smartphone 3D and glass backings
- Sales divided evenly between smartphones and all other categories
  - Increase in sales involving surveillance cameras, the IoT and LEDs

#### Camera lenses (surveillance)

Increase in sales to surveillance camera manufacturers in China

#### IoT (biometric authentication)

Increase in sales for 3D (facial) authentication

#### IoT (automobiles)

Increase in sales involving cameras, sensors and LCD screens

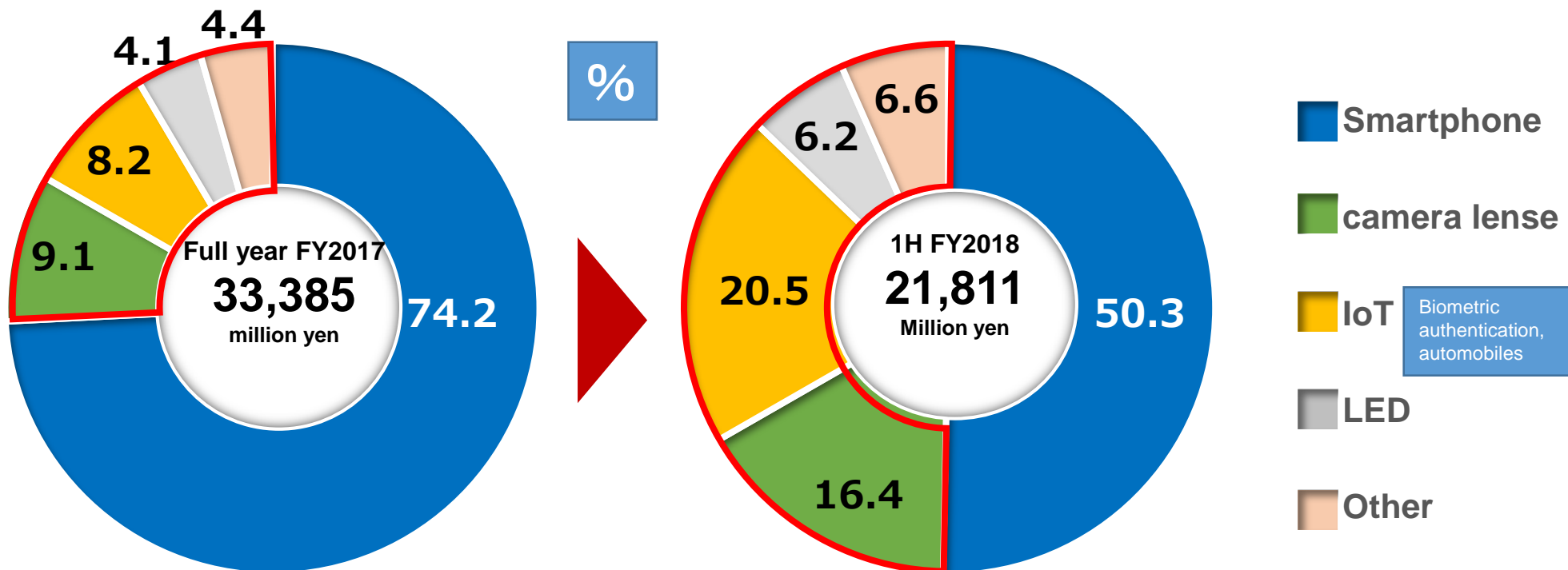
#### LEDs

The LED lighting market is growing and potential growth of the market for micro-LEDs has increased significantly

# Net Sales by Categories

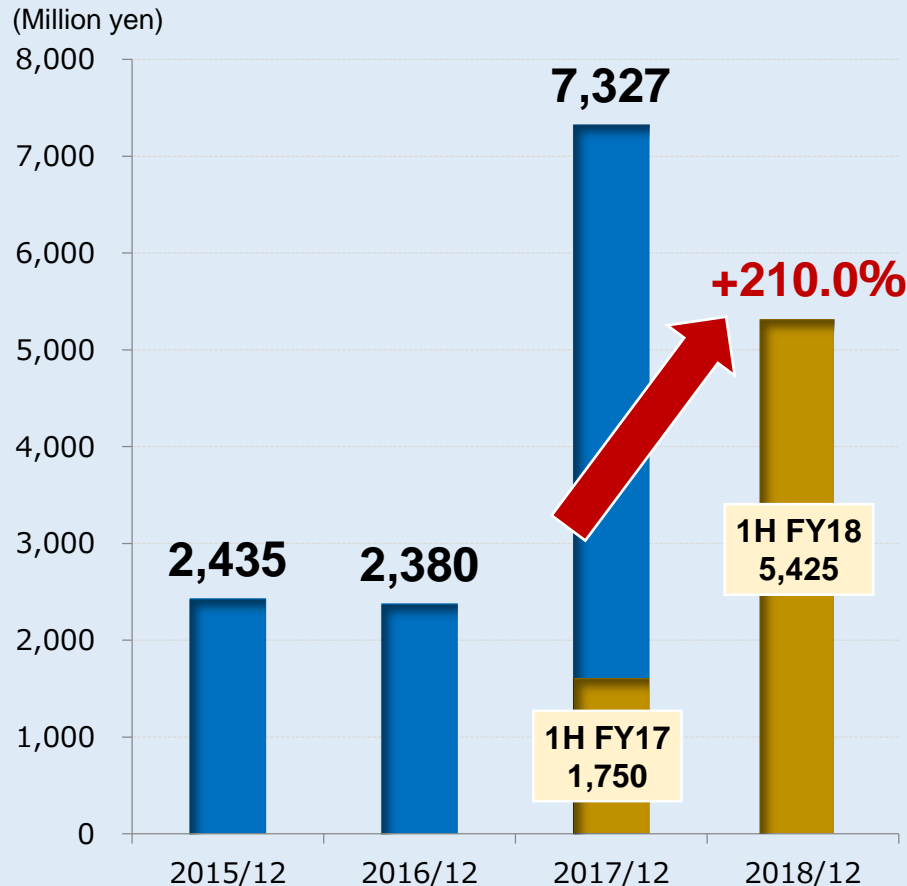
## The growth of applications for optical thin films

Many companies in North America, China, Korea, etc. require coaters for smartphone applications. Other market sectors are growing too, particularly surveillance camera lenses, the IoT (biometric authentication, automobiles) and LEDs. Demand for coaters is strong as a result.





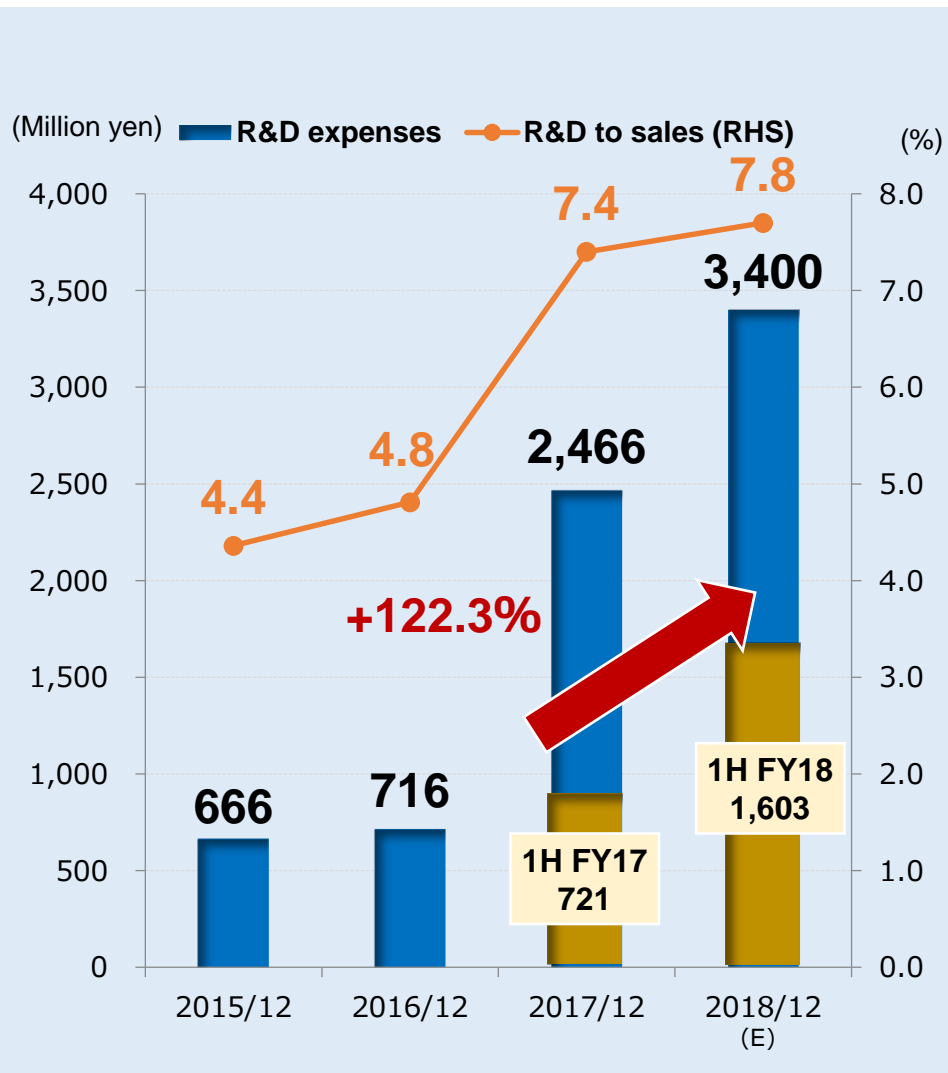
# Operating Profit



1. Sales of sputtering coaters in North America, China and Korea contributed to earnings.
2. Higher sales of vacuum deposition equipment also contributed to earnings growth.
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. Focusing on new smartphone functions, increasing speed of IoT sector progress (biometric authentication, automotive use), increasing performance of surveillance cameras and LEDs, and equipment that combines semiconductor and optical technologies

# Balance Sheet



(Million yen)

	Dec. 31 2017		June 30 (1H FY2018)		
	Amount	%	Amount	%	Change
<b>Current assets</b>	52,255	92.6%	<b>52,316</b>	<b>91.8%</b>	+ 60
Cash and deposits	19,893	35.3%	<b>11,022</b>	<b>19.3%</b>	(8,871)
Notes and accounts receivable - trade	3,380	6.0%	<b>8,088</b>	<b>14.2%</b>	+ 4,707
Inventories	25,107	44.5%	<b>30,012</b>	<b>52.7%</b>	+ 4,904
Allowance for doubtful accounts	(181)	(0.3)%	<b>(392)</b>	<b>(0.7)%</b>	(210)
Other	4,055	7.2%	<b>3,585</b>	<b>6.3%</b>	(469)
<b>Non-current assets</b>	4,169	7.4%	<b>4,682</b>	<b>8.2%</b>	+ 512
<b>Total assets</b>	56,425	100.0%	<b>56,998</b>	<b>100.0%</b>	+ 573
<b>Current liabilities</b>	32,038	56.7%	<b>30,096</b>	<b>52.8%</b>	(1,941)
Notes and accounts payable - trade	7,303	12.9%	<b>4,928</b>	<b>8.6%</b>	(2,375)
Short-term interest-bearing debt	9,193	16.3%	<b>5,366</b>	<b>9.4%</b>	(3,827)
Other	15,541	27.5%	<b>19,802</b>	<b>34.7%</b>	+4,260
<b>Non-current liabilities</b>	1,780	3.2%	<b>2,224</b>	<b>3.9%</b>	+ 444
Long-term interest-bearing debt	432	0.8%	<b>331</b>	<b>0.6%</b>	(101)
Other	1,347	2.4%	<b>1,893</b>	<b>3.3%</b>	+ 545
<b>Total liabilities</b>	33,818	59.9%	<b>32,321</b>	<b>56.7%</b>	+1,497
<b>Total net assets</b>	22,606	40.1%	<b>24,677</b>	<b>43.3%</b>	+ 2,070
<b>Total liabilities and net assets</b>	56,425	100.0%	<b>56,998</b>	<b>100.0%</b>	+ 573

Inventory growth and repayment of debt

Increase in advances along with growth in orders

Increase in retained earnings

# Cash Flows



(Million yen)

	1H FY2017	1H FY2018		Major factors
	Amount	Amount	Change	
Cash flows from operating activities	(6,425)	<b>(2,304)</b>	+4,121	<ul style="list-style-type: none"> <li>• Increase in net income</li> <li>• Increase in advances along with growth in orders</li> </ul>
Cash flows from investing activities	(2,062)	<b>(926)</b>	+1,136	<ul style="list-style-type: none"> <li>• Cash used for investments increased</li> </ul>
Cash flows from financing activities	8,626	<b>(5,413)</b>	(14,040)	<ul style="list-style-type: none"> <li>• Repayments of short-term loans payable</li> <li>• Dividend payments</li> </ul>
Effect of exchange rate change on cash and cash equivalents	(18)	<b>(226)</b>	(208)	
Net increase (decrease) in cash and cash equivalents	119	<b>(8,871)</b>	(8,990)	
Cash and cash equivalents at beginning of period	5,357	<b>19,893</b>	+14,536	
Cash and cash equivalents at end of period	5,477	<b>11,022</b>	+5,545	



# II . Appendix

- Forecast for FY12/2018 (Consolidated)
- Shareholder Distributions
- FY2020 Target (Medium-term management plan 2018-2020)

# Forecast for FY12/2018 (Consolidated)



(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%

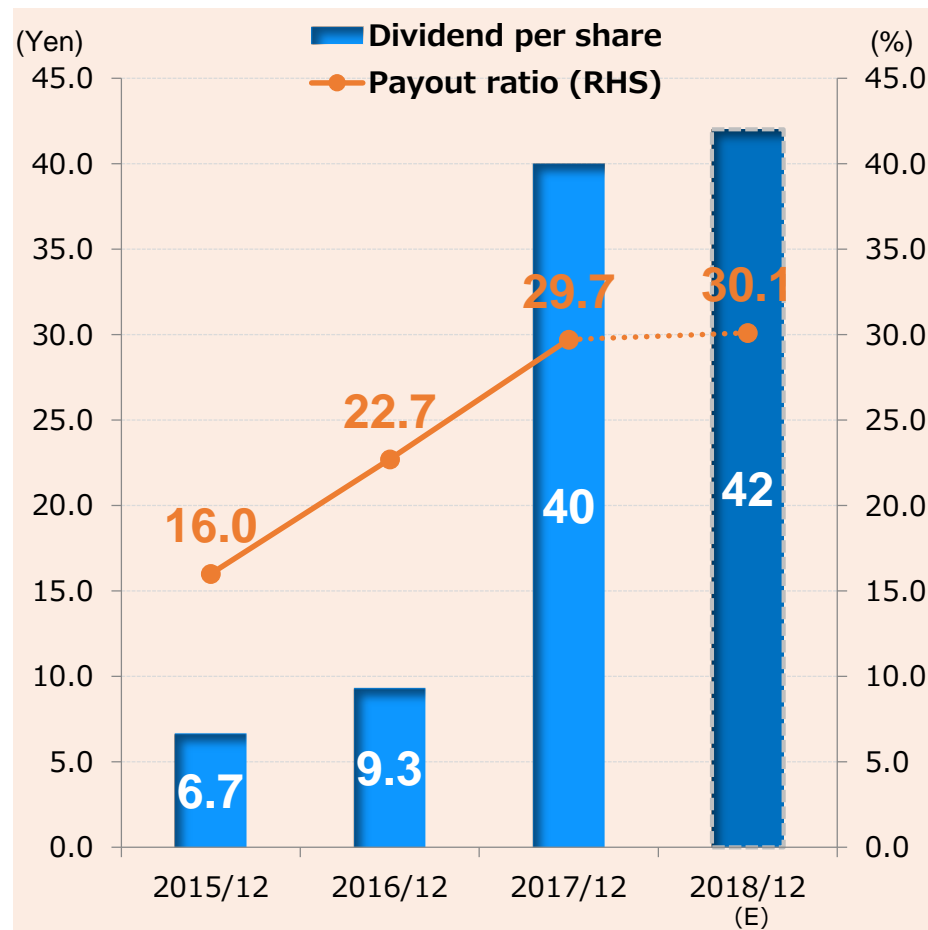
- In 2018, we anticipate a continuation of demand for high-performance optical thin film coaters as new smartphones continue to add more advanced capabilities. The reduction in smartphone output early in 2018 will probably have only a small negative effect.
- In the LED sector, we expect orders for film 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.

## Consistently returning earnings to shareholders

### Dividend Policy

The policy is maintain sufficient funds for R&D activities, strengthening manufacturing operations, starting new businesses and other requirements and to use remaining funds as much as possible for shareholder distributions.

The goal is consistent dividend payments with a **consolidated payout ratio of about 30%**.

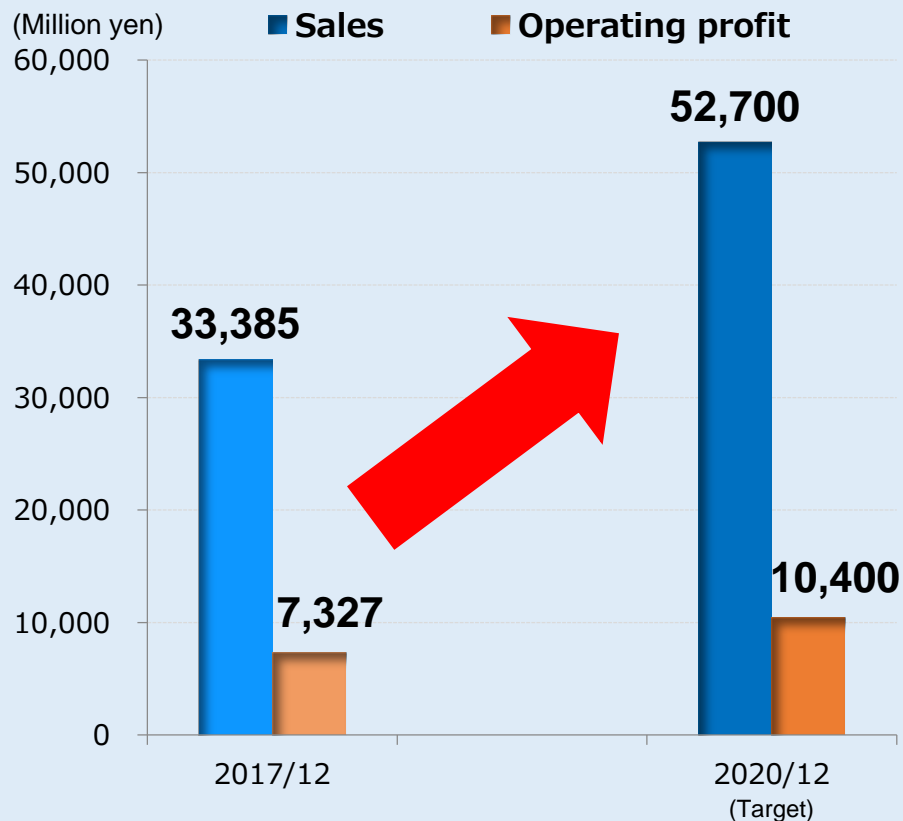


\* There was a 1-to-1,000 share split on March 18, 2017 and a 1-to-3 share split on October 13, 2017. Earnings per share in 2015, 2016 and 2017 have been adjusted to reflect these stock splits.

# FY2020 Target (Medium-term management plan 2018-2020)



## Sales & Operating profit



## Strategic priorities

1

Use strengths as a company with highly advanced technology development skills to speed up R&D for the creation of thin film formation equipment with new capabilities.

2

Leverage aggregate business capabilities that rank among the best in the world by building a stronger infrastructure for the unified management of activities (R&D, production, sales, administration) in Japan, Shanghai and Taiwan.



# Disclaimer, Precautions and Inquiries



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This presentation contains forward-looking statements. These statements incorporate assumptions that reflect current outlooks, forecasts and risk factors. There are many uncertainties that may cause actual performance to differ from these statements.

These risk factors and uncertainties include, but are not limited to, industry and market conditions, changes in interest rates and exchange rates, and other items associated with the Japanese economy and global economy.

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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