



Q3 2023 Financial Results

Optorun Co., Ltd.

November 14, 2023



I

Results for Q3 FY12/23

II

Topics



I

Results for Q3 FY12/23

- Both sales and operating profit performed well. The gross profit margin exceeded the original forecast due to the on-track sales progress of the new-type equipment and the positive impact of the exchange rate.
- Net income declined due to losses from foreign exchange forward contracts used for hedging purposes.
- The company is vigorously pursuing R&D activities in new growth sectors where we envision to base our mid/long-term future growth. We won another new order in the New Energy segment in the third quarter following the first one in the second quarter.
- Slow orders for smartphones in Q3 reflected sluggish global market conditions. Demand for high-end applications for smartphones remains strong. There are signs of a recovery in demand for smartphones, including those from Chinese smartphone makers.

[Sales] ¥28.9 billion (up 16.7% y-o-y) of which new-type equipment constituted 47.8%.

- Smartphones: Increased Sales of ALD equipment for high-end camera functions.
- IoT: Wide-ranging sales in the automotive, AR/VR and other sectors.

[Operating Income] ¥8.5 billion, up 37.2% year on year

- High-margin ALD equipment contributed to higher profitability.

[Current Net Income] ¥4.0 billion (down 30.0% from the previous year)

- ¥2.8 billion unrealized loss from foreign exchange contracts used for hedging purposes

[Orders received] ¥9.9 billion (down 56.5% from the previous year)

- Smartphones: acquired multiple orders for touch panels and camera modules.
Orders being pushed back, despite strong demand for higher functionality.
- IoT: Orders covered varieties of applications, including automotive dashboards, vehicle-mounted cameras, and heads-up displays.
- Acquired orders for etching equipment and thin-film deposition equipment in the new energy sector.

Financial Highlights



(Unit: JPY100 million)

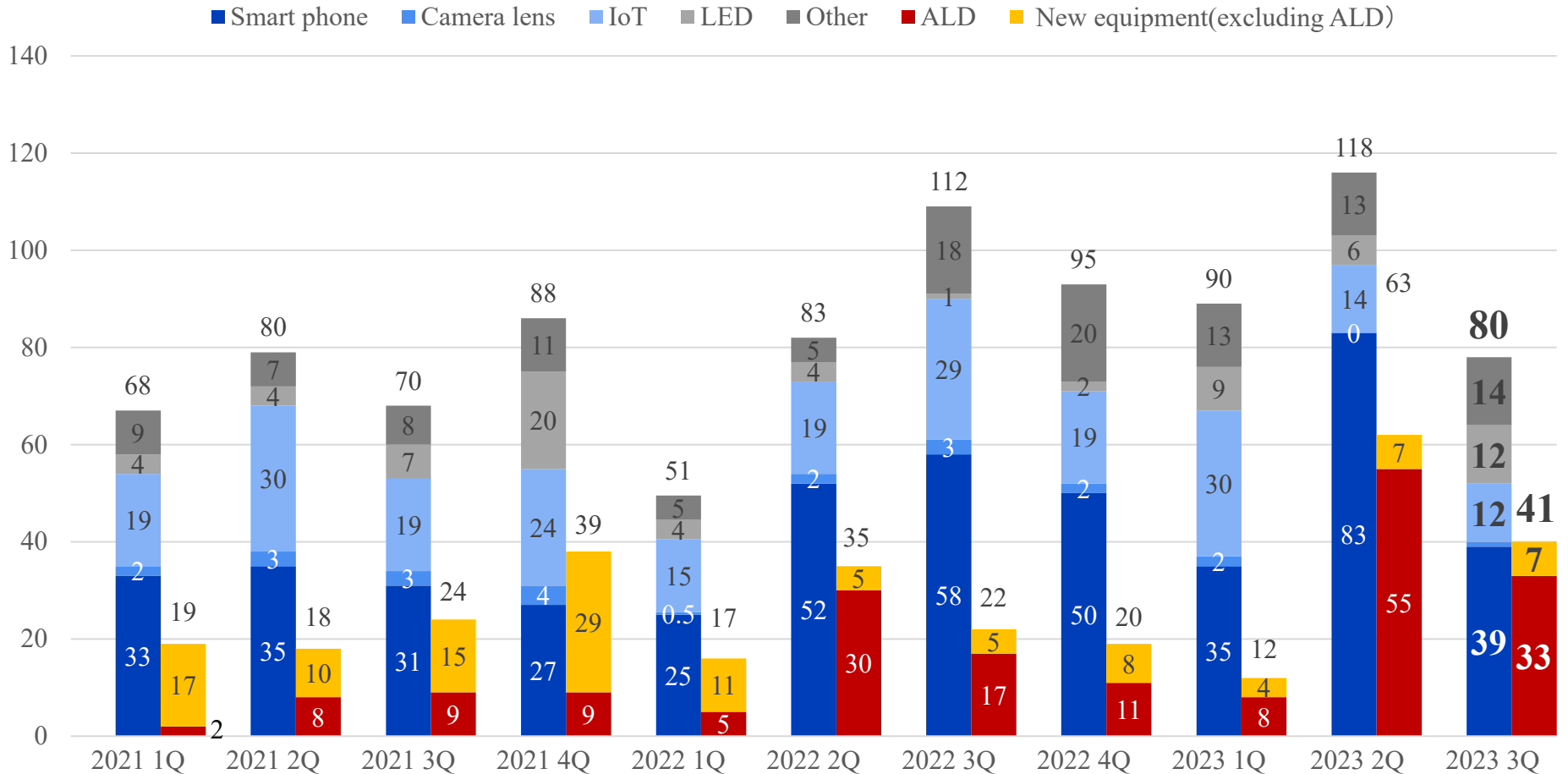
	Year ended December Q3 2022	Year ended December Q2 2023	Changes (%)	Forecast Year 2023
Net sales	247	289	116.7%	355
Gross profit	109	148	135.7%	-
	(44.1%)	(51.3%)	-	-
Operating income	62	85	137.2%	86
	(25.2%)	(29.6%)	-	(24.2%)
Ordinary income	77	53	68.9%	86
	(31.2%)	(18.4%)	-	(24.2%)
Net Profit	58	40	70.0%	62
	(23.6%)	(14.2%)	-	(17.5%)
R&D expenses	21	31	144.8%	34
	(8.8%)	(10.9%)	-	(9.6%)
CAPEX	51	27	53.0%	56
Orders received	458	199	43.5%	-
Order Backlog	492	279	56.8%	-

(NOTE) % in parentheses represents the percentage of sales

Quarterly Sales by Segment

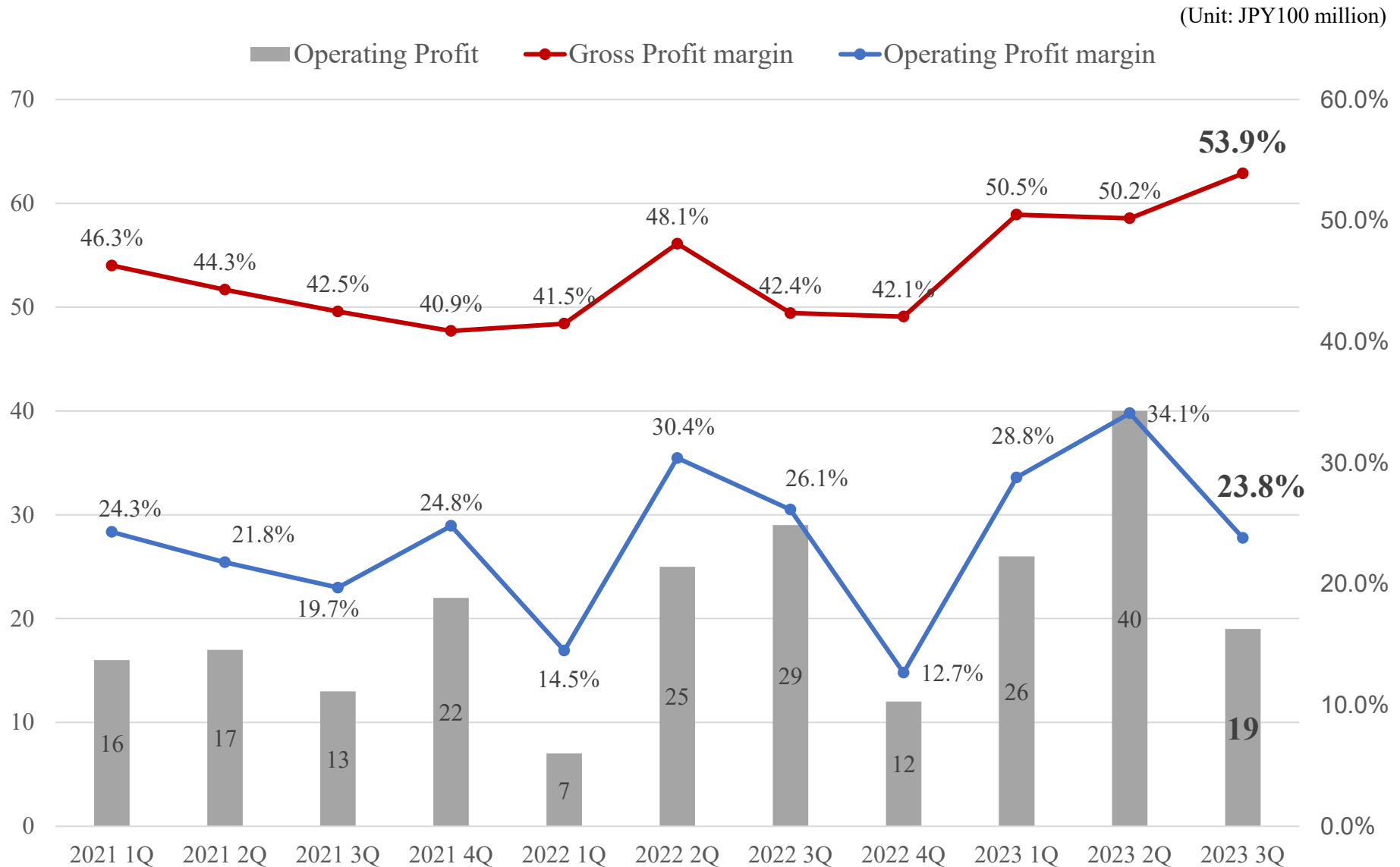
- Smartphone sector sales performance has been strong with ALD being the main driver.
- New-type equipment ratio remained high at 51.8% subsequently to Q2.
- Sales for automobile and LED applications remained strong.

(Unit: JPY100 million)



Quarterly profitability transition

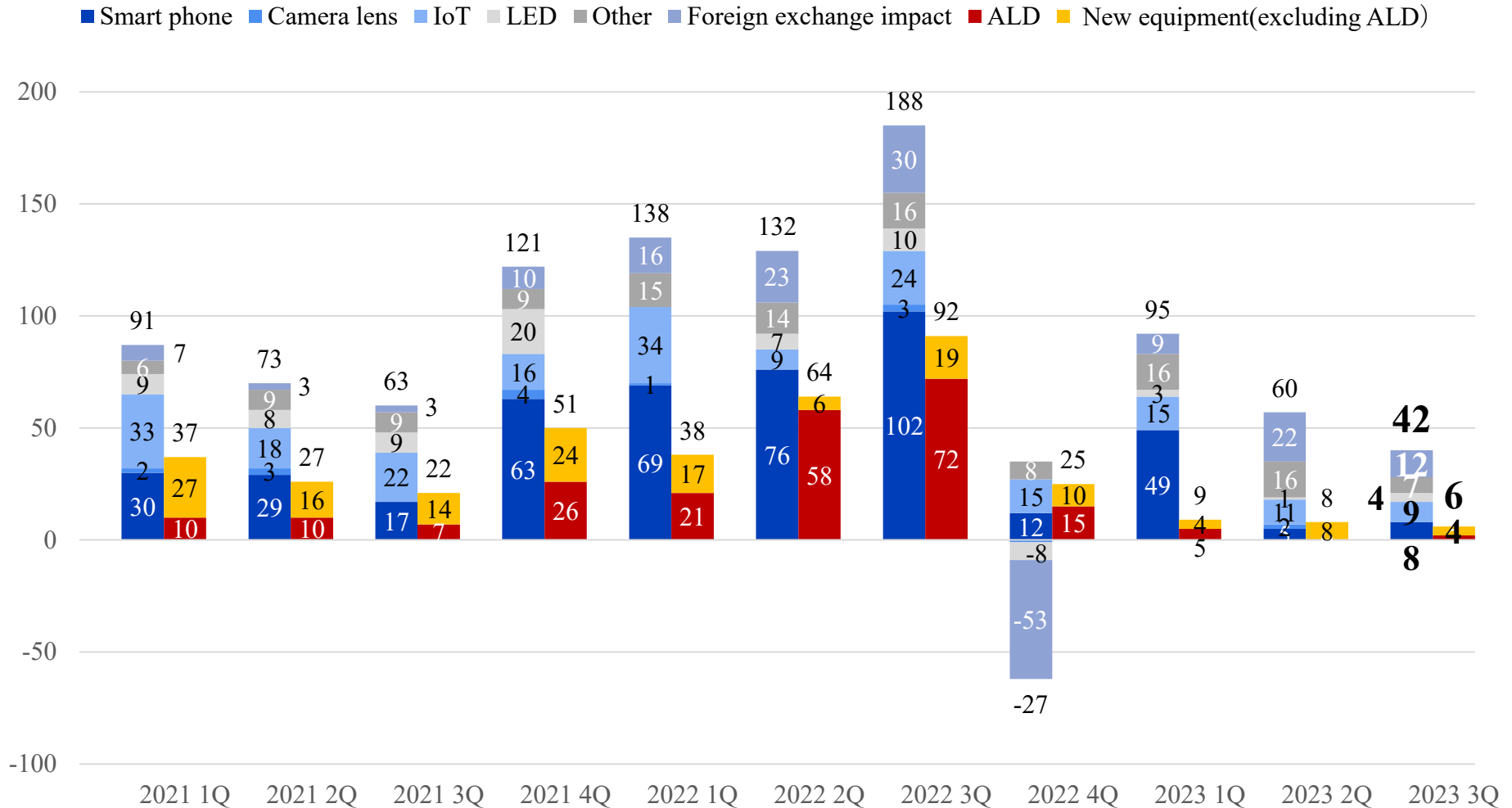
- Achieved gross margin of above 50% due to increase in the ratio of high-margin new-type equipment.



Quarterly orders received by sector

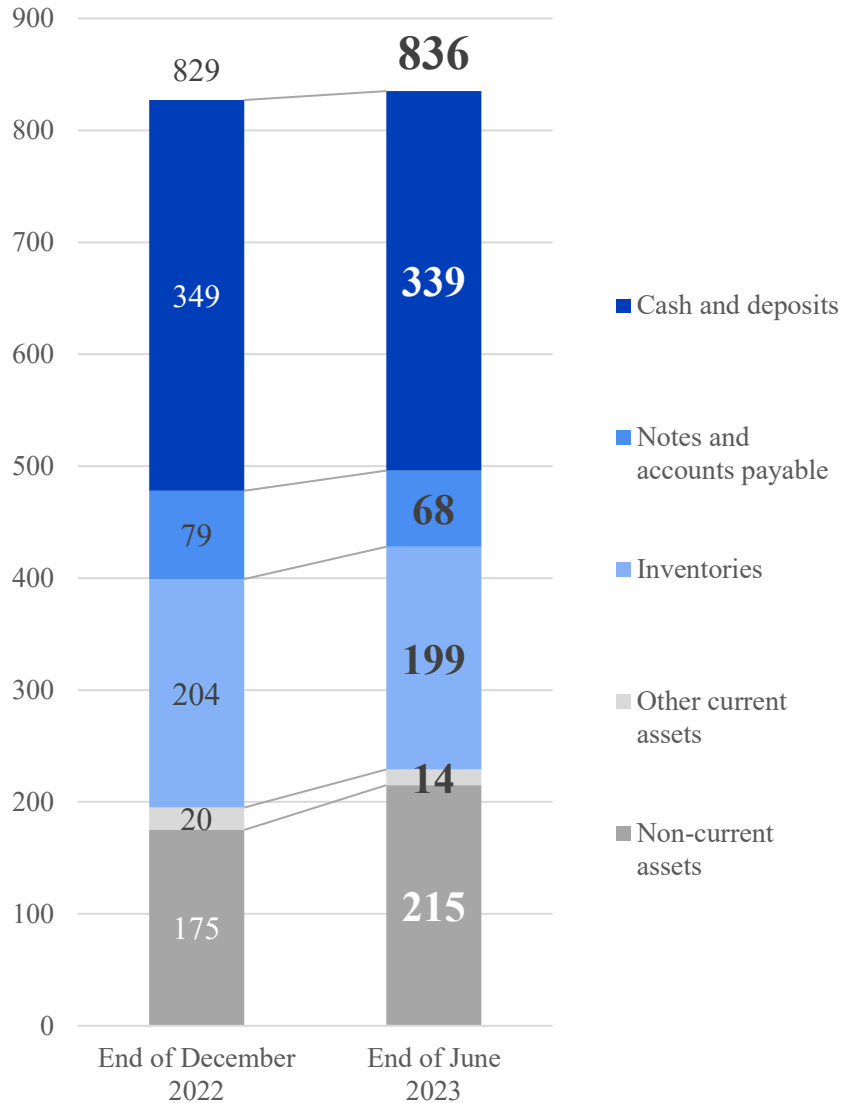
- Despite continued strong demand for sophisticated smartphones, orders have been delayed.
- Demand for vehicle-mounted cameras and displays were strong for IoT sector.
- Won orders for New Energy applications.

(Unit: JPY100 million)



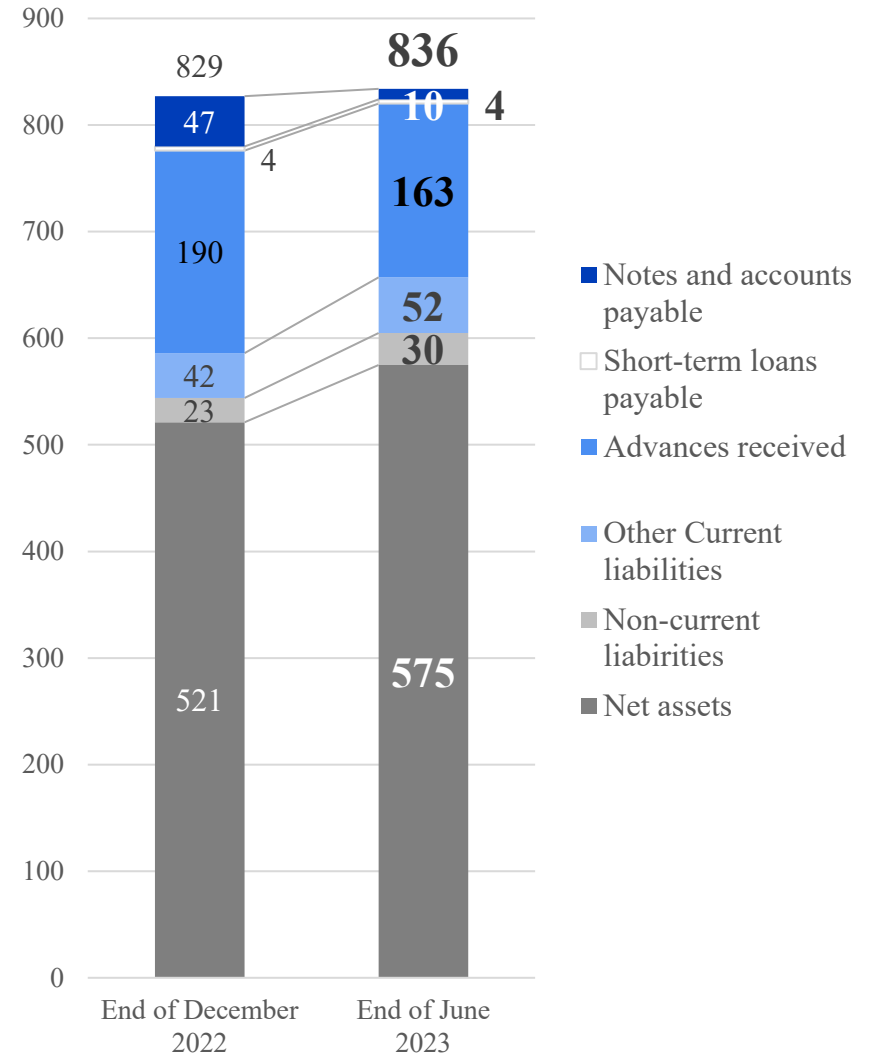
Consolidated Balance Sheets

Assets



Liabilities and net assets

(Unit: 100 million yen)

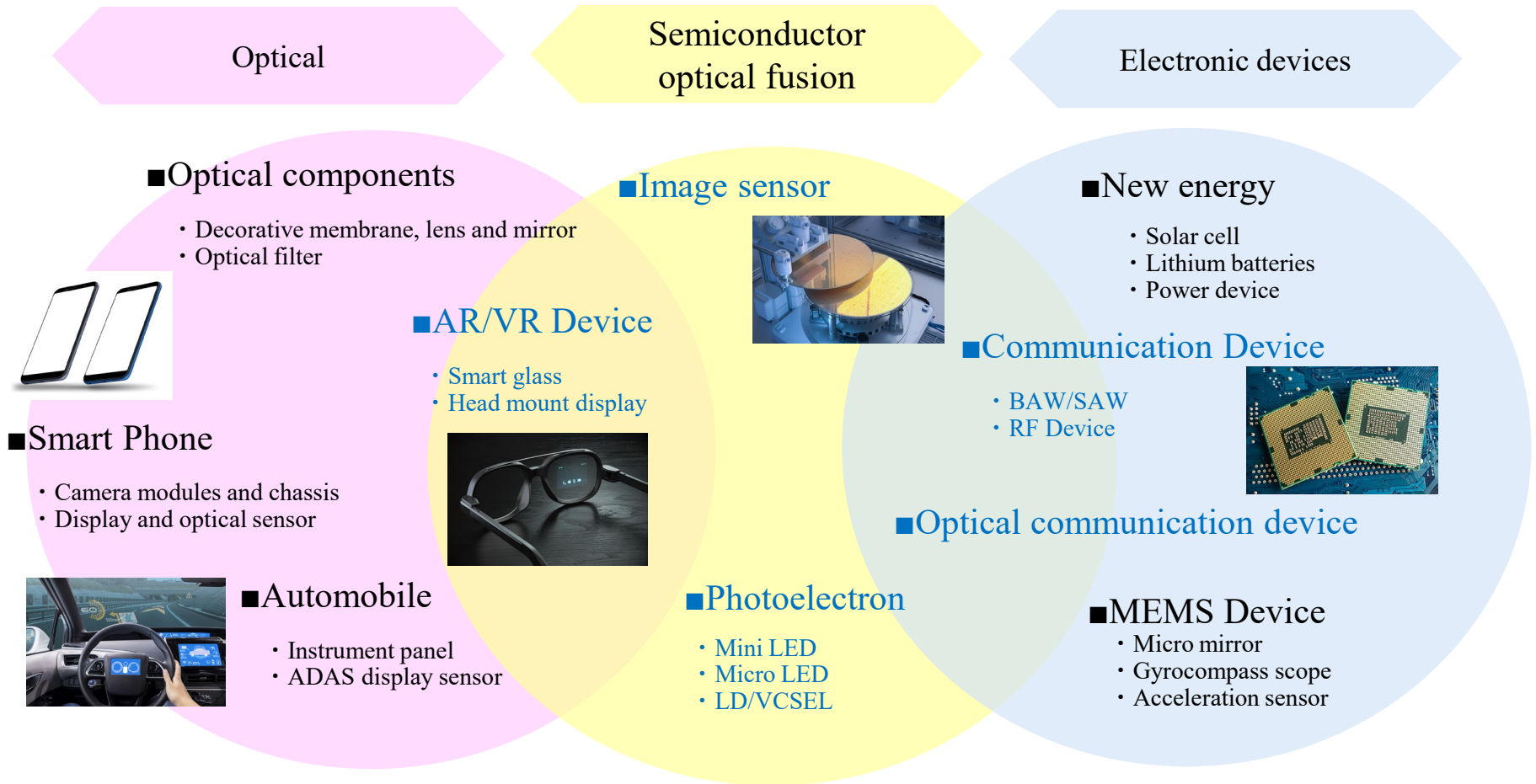




II

Topics

Development of business domains

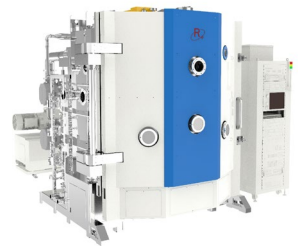
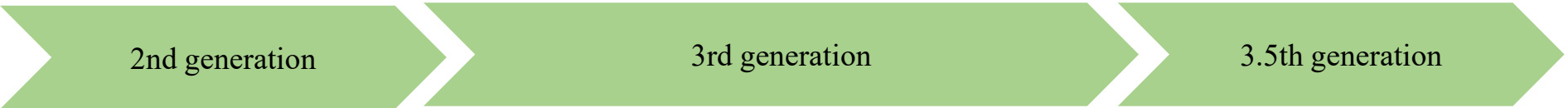
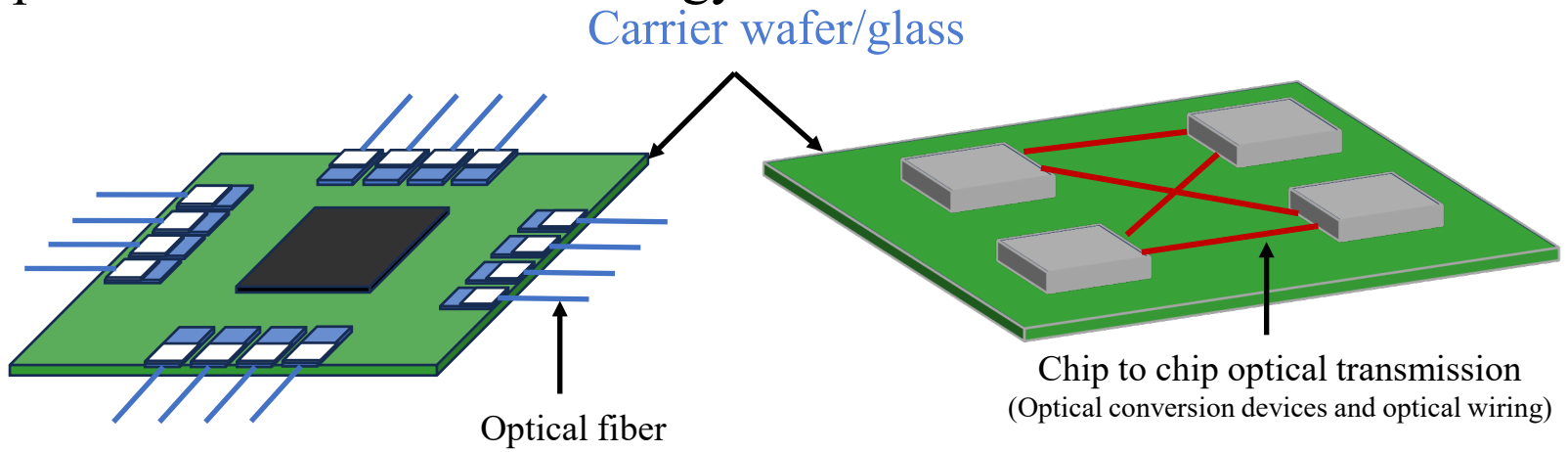


Aiming for ¥50 billion revenue by 2025. Optical, Semiconductor-Optical Fusion, and Electronic Devices will constitute the three major pillars for mid-term growth.

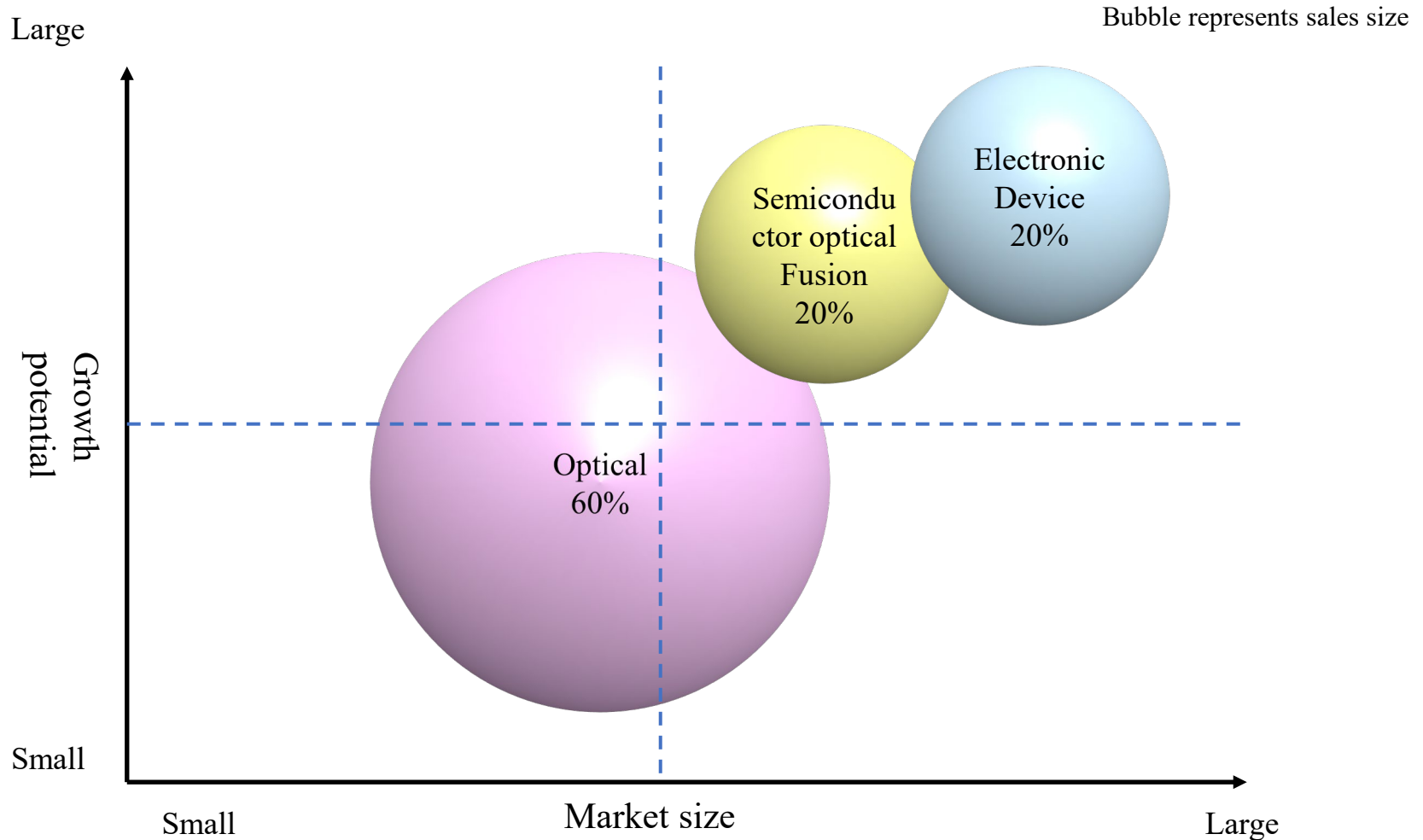
Market and order trends

Major areas	Applications	Market (technology) trends	Trends in orders received
Optical	Smartphone	<ul style="list-style-type: none"> • Demand for functional improvement in high-end models is strong. • Camera modules: Larger lens size and higher percentage of new camera functions per smartphone. 	<ul style="list-style-type: none"> • Demand for New Technologies Signs Recovery. • Hard-coat needs remains unchanged (shifting to 4Q or later).
	Automobile	<ul style="list-style-type: none"> • More safety devices and installed cameras per vehicle. • Display with touch panels also on the rise. 	<ul style="list-style-type: none"> • Recovery in display demand.
	Camera	<ul style="list-style-type: none"> • Surveillance cameras: demand for wide-angle lens are emerging. 	<ul style="list-style-type: none"> • Increase in demand for ALD equipment for wide-angle lens.
Semiconductor-Optical Fusion	AR/VR	<ul style="list-style-type: none"> • Display: Increasing use of Micro OLED 	<ul style="list-style-type: none"> • Demand for ALD and Etcher expected to increase for Wave Guide and Micro Displays.
	Photoelectron (Sensor)	<ul style="list-style-type: none"> • Near-infrared sensor, LiDAR, millimeter-wave radar: Increased demand due to automation, diversification of 3D sensor technology 	<ul style="list-style-type: none"> • Customer enquiries on the rise.
	Optical communication Device	<ul style="list-style-type: none"> • Shift of transmission means from electrical signals to optical signals (photoelectric fusion technology) / 3D package chip 	<ul style="list-style-type: none"> • Market expected to expand for 3D packages over the medium to long term. • Started acquiring orders.
Electronic Device	New energy	<ul style="list-style-type: none"> • Large demand for solar battery and lithium battery applications. 	<ul style="list-style-type: none"> • Market expansion expected over the medium to long term. Already started receiving orders.
	Communication device	<ul style="list-style-type: none"> • RF devices: Entered the film-deposition and etching process in BAW/SAW. 	

Industry-wide trend toward chip-to-chip optical transmission devices using photoelectric fusion technology



Since its founding, Optorun has developed advanced photoelectric fusion technologies cultivated through optical communication technologies.



In addition to continuously allocating management resources to the Optical field, Optorun will concentrate its resources on two new high-growth areas, Electronic Device and Semiconductor optical fusion, to accelerate its growth.

The information contained in this document has been prepared on the basis of generally accepted economic and social conditions as of November 13, 2023, and certain assumptions that we judged to be reasonable. However, the information contained in this document may be changed without prior notice due to changes in the business environment.

The materials and information provided in this publication include so-called forward-looking statements. These forward-looking statements are based on current expectations, projections and risky assumptions, and contain uncertainties that may cause results that differ materially from these statements.

These risks and uncertainties include general industry and market conditions, general domestic and international economic conditions such as interest rates and currency fluctuations.

We are not obligated to update or revise the forward-looking information contained in this report even if new information or future events occur.

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