Optorun Co., Ltd

Financial Results(2Q 2021)

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Summary of Financial Results for the Second Quarter of the Fiscal Year Ended December 2021

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4. Orders received (quarterly)
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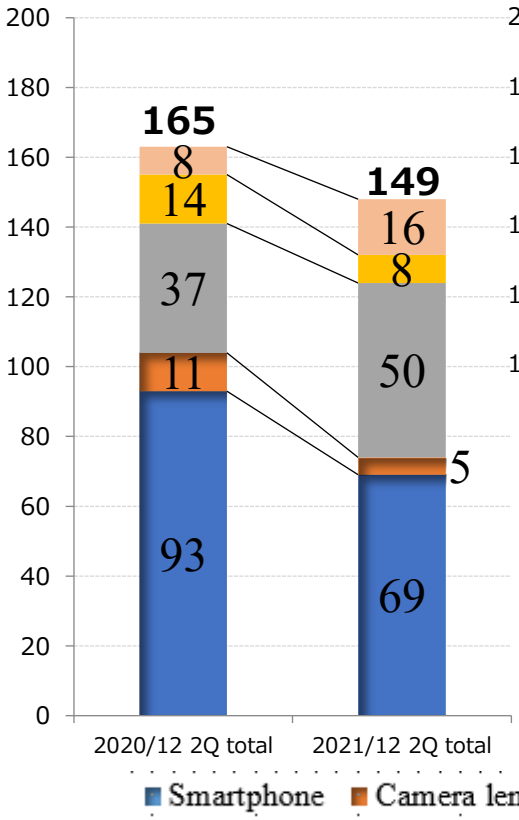
1 Financial Highlights (1st Half of 2021)

- Sales in the first half of FY2/21 were ¥14.9 billion, down 9.9% yoy. IoT sector sales showed strong growth.
- Sales of new-type equipment and cost reduction efforts contributed to a significant COGS ratio improvement over the same period a year ago. SG&A expenses were almost on track with the plan. Currency factors resulted in ordinary income remaining at the same level a year ago, with each profit margin ratio improved.
- Orders received declined 12% yoy to ¥16.5 billion as a result of customers' postponing of capital investment due to the global shortage of semiconductors. New-type equipment orders, especially ALD equipment, continue to be strong.
- 2021 is the year of enhanced sophistication of optical thin-film technology and commercialization of new semiconductor-related thin-film deposition technology. The company is accelerating its wide-ranging R&D activities, including the development of 3D technology, the development of 5G compatible optical communications, and the development of biosensors in the healthcare field.

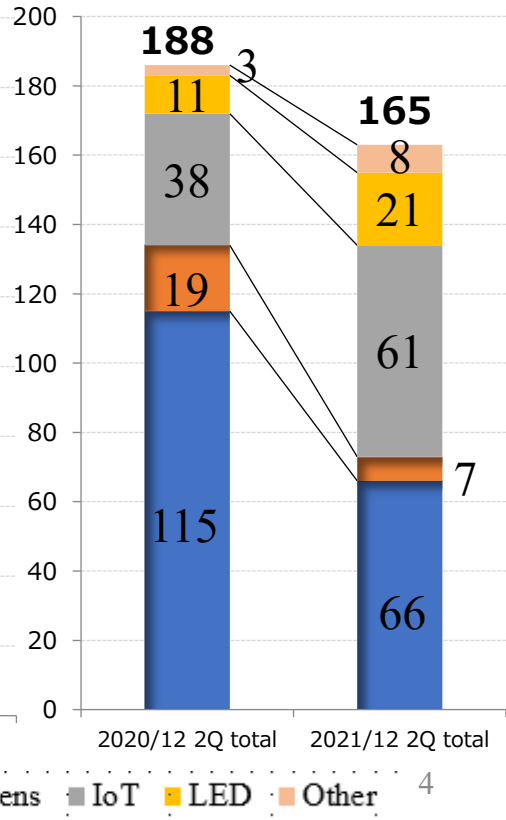
[Performance Comparison] (¥100 million)

	2Q 2020	2Q 2021	YoY change
Net sales	165	149	△9.9%
Gross profit	66	67	1.5%
(Gross profit Margin)	(40.1%)	(45.2%)	
SGA expenses	30	33	10.7%
(SGA expenses ratio)	(18.1%)	(22.3%)	
Operating profit	36	34	△6.1%
(Operating profit Margin)	(22.0%)	(23.0%)	
Ordinary profit	39	39	△0.9%
(Ordinary Profit Margin)	(23.8%)	(26.2%)	
After Tax profit	28	27	△5.1%
(After Tax profit Margin)	(17.4%)	(18.3%)	
Research and development expenses	17	17	3.7%
(Ratio of R&D Expenses to Net Sales)	(10.3%)	(11.9%)	
Capital expenditures	4	4	△3.2%
Orders received	188	165	△12.4%
Order Backlog	347	251	△27.6%

【Sales by Business Segment】



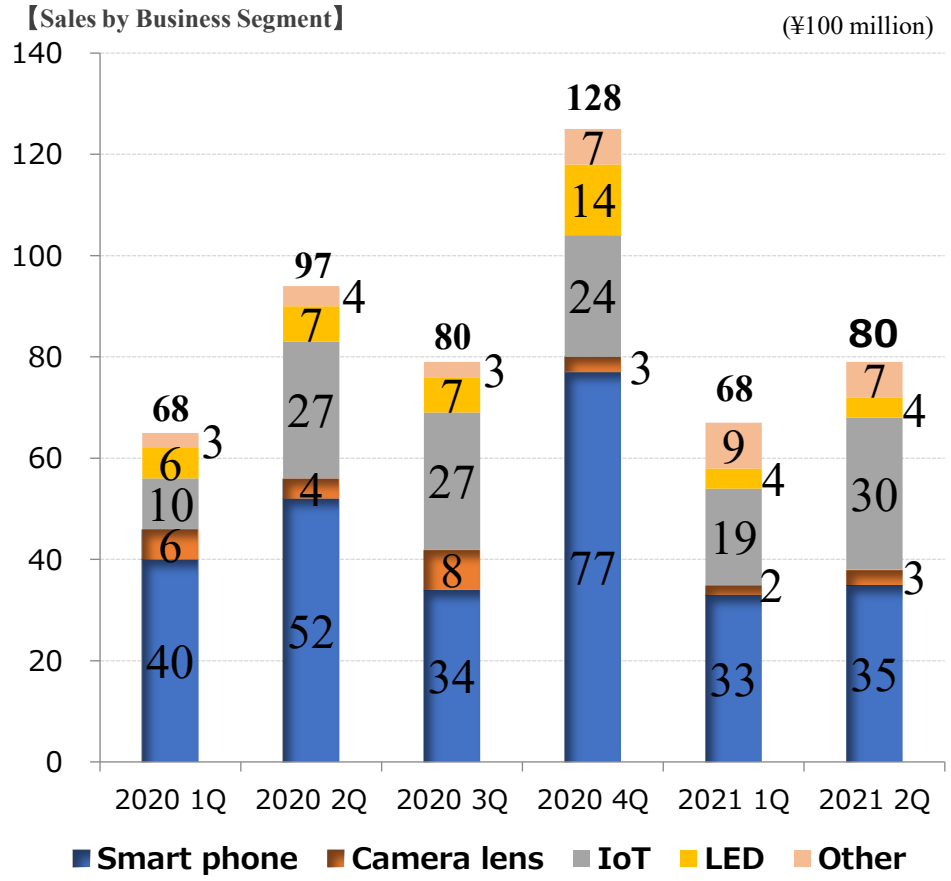
[Amount of orders received by field]

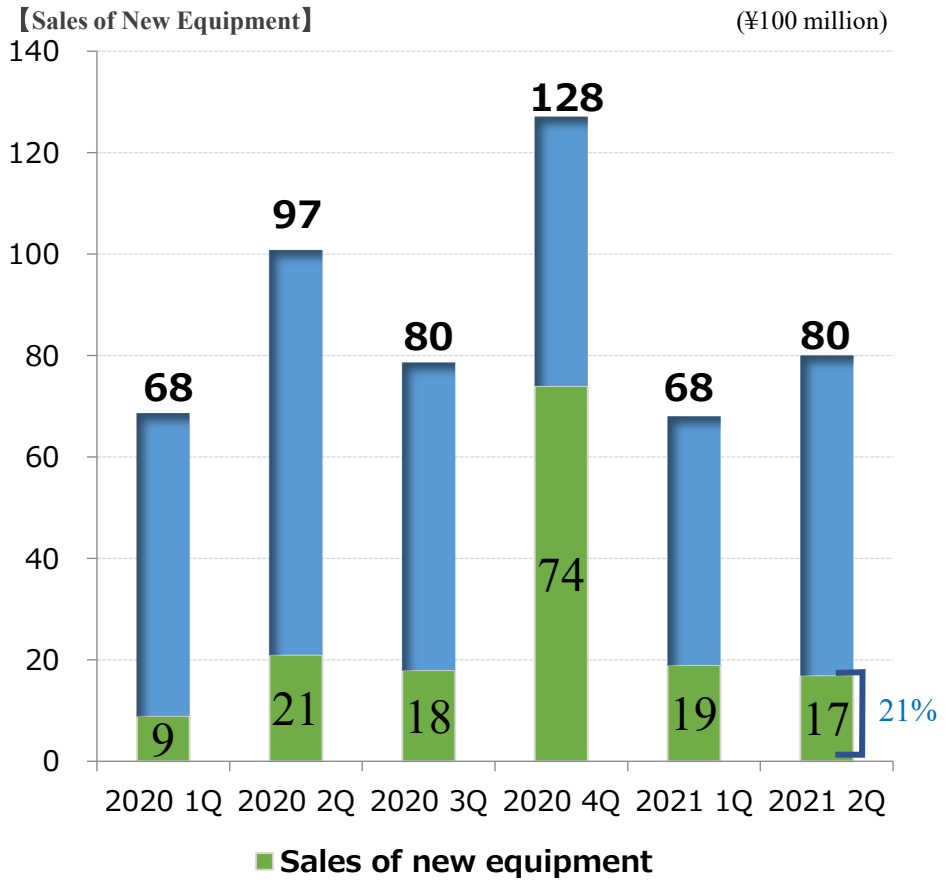


Smartphone Camera lens IoT LED Other

2 Breakdown of Quarterly Net Sales

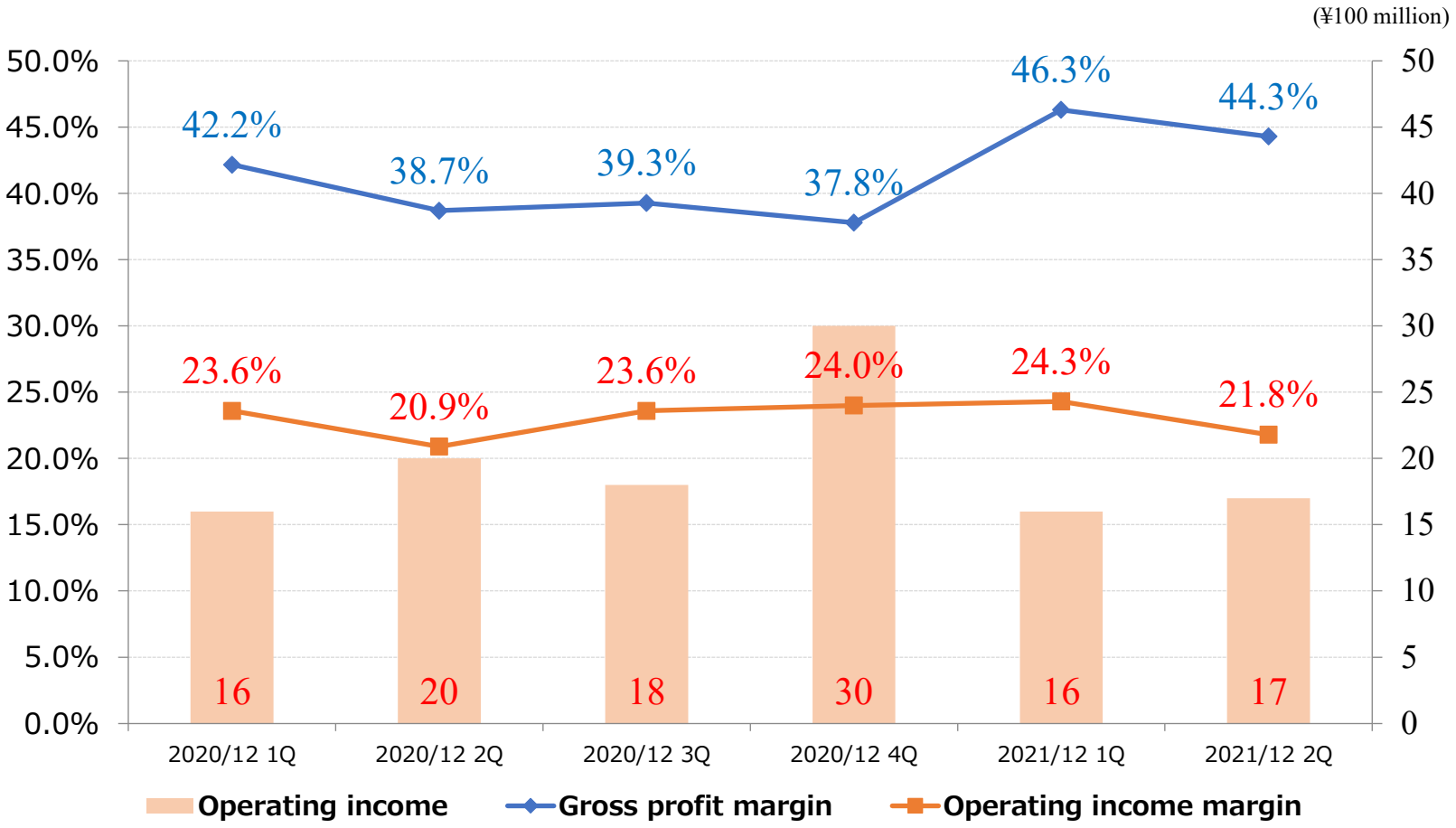
- IoT sector sales were solid (38% of sales). Biometric identification application (for wearable watches) contributed to the increase.
- Sales for smartphones sector were mainly for camera modules and decorations.
- New-type equipment constituted 21% of total sales (ALD, new sputtering equipment, optical communications, LED)





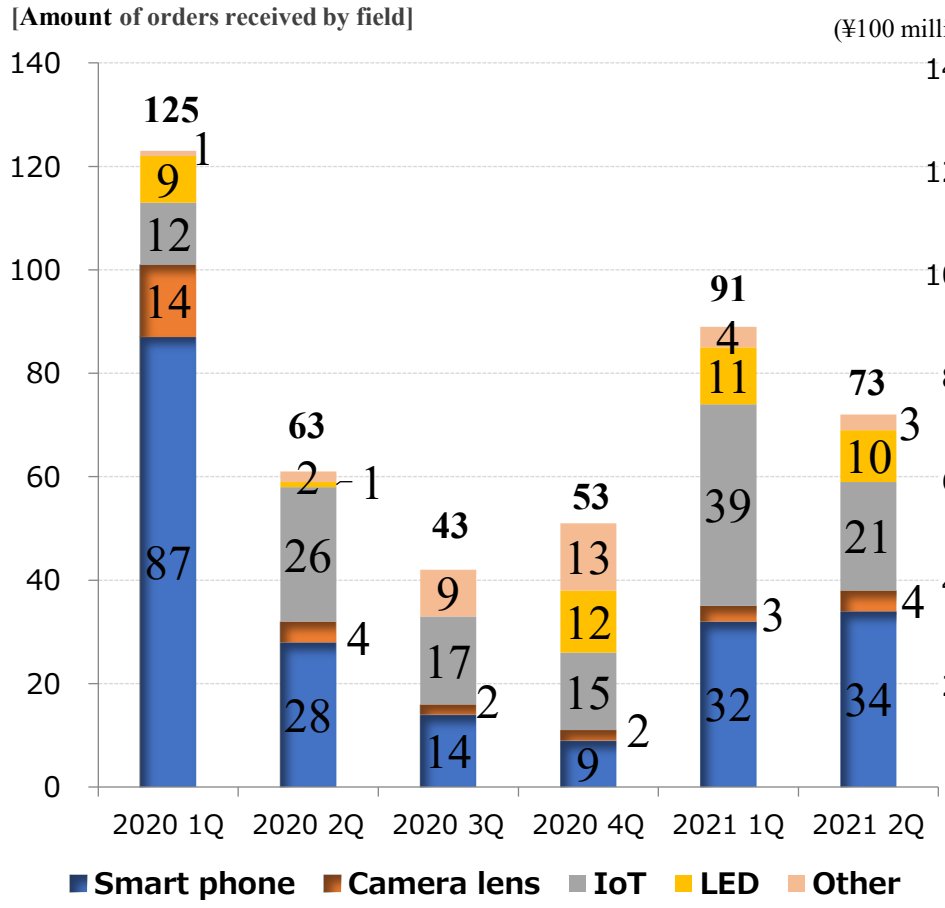
3 Operating income and profit margin (quarterly)

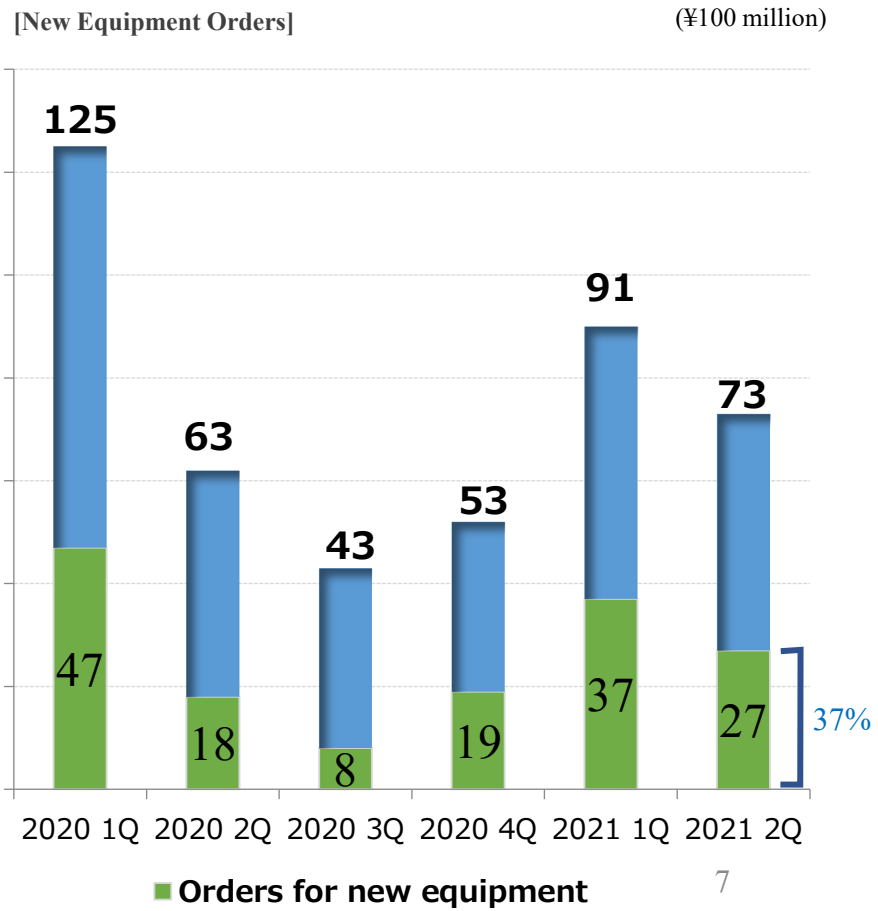
- The gross profit margin for the second quarter of 2021 remained high (44.3%) thanks to the contribution of new-type equipment.
- Q2 operating profit margin of 21.8% resulted from an increase in SG&A expenses due to R&D activities



4 Orders received (quarterly)

- Orders received in the Q2 2021 were ¥7.3 billion (down 19% from Q1) due to the impact of the worldwide shortage of semiconductors.
- Smartphone sector continued to perform strongly. IoT sector orders came in mainly for automotive, optical communication, and biometric system applications.
- Orders for new-type equipment, including ALD, remained strong (37% of total orders).

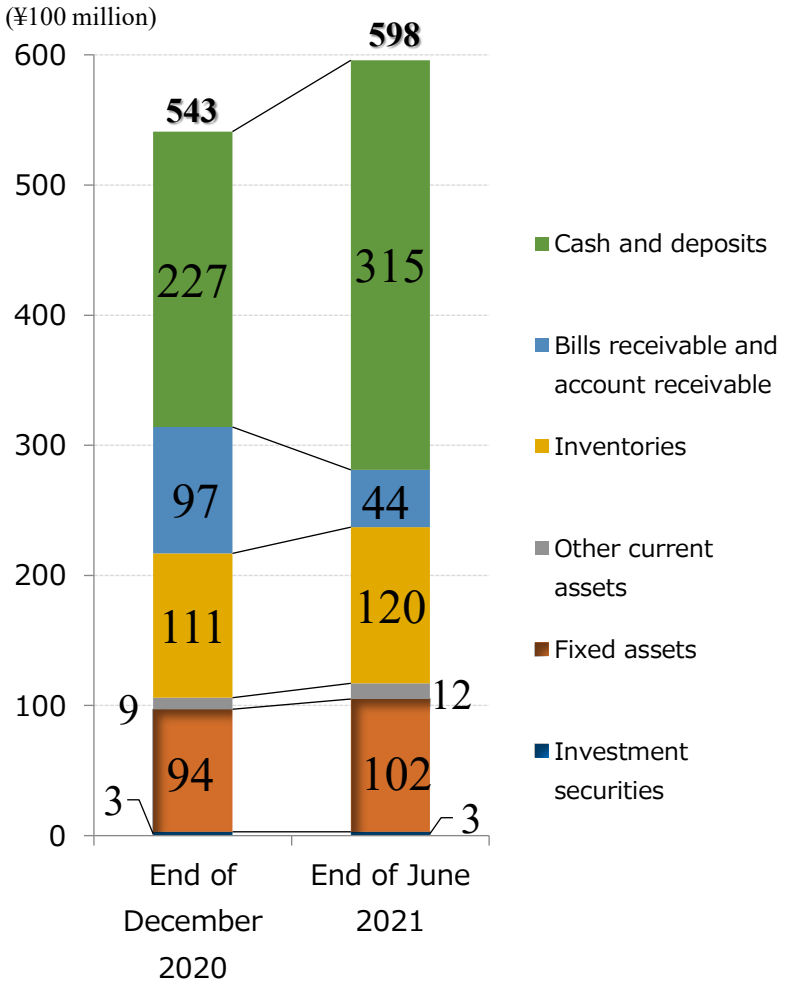




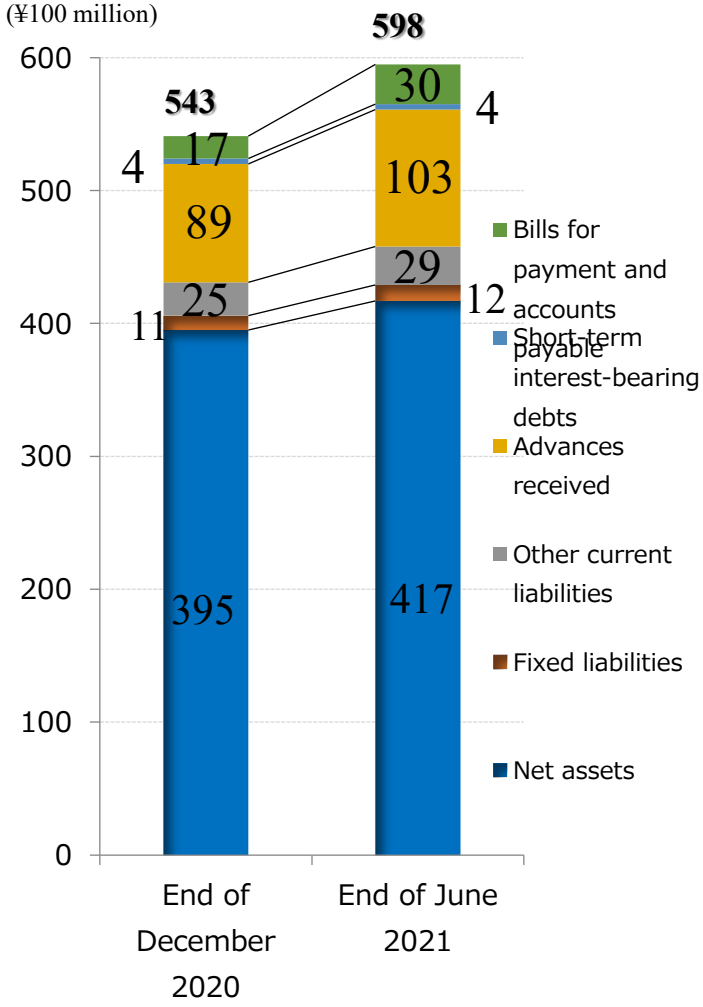
5 Consolidated Balance Sheet (Q2 2021)

- **¥8.8 billion increase in cash and deposits (due to collection of receivables) and ¥1.4 billion increase in advance receivables (due to increase in orders).**

[Assets]



[Liabilities and Net Assets]



6 Status of CF

(¥100 million)

	Cumulative 2Q for FY12/20	Accumulated 2Q in FY12/21		Main reason
	Amount	Amount	Increase/decrease	
CF from sales activities	**6**	**107**	100	For collection of receivables
CF from investment activities	**△4**	**△4**	0	For the acquisition of tangible fixed assets
CF from financial activities	**△25**	**△21**	3	For the payment of dividends
Of cash and cash equivalents Translation adjustments	**△1**	**6**	8	
Net increase (decrease) in cash and cash equivalents	**△24**	**88**	112	
Cash and cash equivalents at beginning of year	**269**	**227**	△42	
Cash and cash equivalents at end of year	**245**	**315**	70	

7 Business Outlook

- The global shortage of semiconductors has pushed our customers' capital investment activities back across the sector, impacting our incoming orders.
- While the outlook is uncertain, this trend may continue throughout the fiscal year, and we are watching the trend in orders from the third quarter onwards. We will promptly disclose any revisions to our forecasts if necessary.
- Our R&D activities to develop new products to meet future market demand are steadily producing results across a wide range of fields, as we aim to achieve sustained mid/long-term growth.

(¥100 million)

	Fiscal Year Ended December 2020 Actual results	Year ended December 31, 2021 Forecast	YoY change
Net sales	374	381	+1.6%
Operating profit	86	90	+4.3%
(Operating Profit Ratio)	(23.0%)	(23.6%)	—
Ordinary profit	86	90	+4.5%
Profit attributable to owners of parent Net profit	67	70	+3.0%

II. Business Direction

1. History of equipment development
2. Semiconductor-Optical Fusion (Growth)+3D (Differentiation)
3. Expansion of applications
4. Equipment line-up
5. Topics
6. Sustainability Initiatives

1 History of equipment development

- Optorun is an R&D-driven company constantly striving for cutting-edge technologies and developing the most sophisticated optical thin-film equipment
- Continuous development of new-type equipment has ensured its high profitability

Optical communication

Digital camera Mobile phone cameras

Smartphones Tablet/LED

AR/MR・5G Automotive, biometric, and biosensors

1999 Establi shment

2000 Optical Technology (Shanghai) Co., Ltd. established.

2001 OTFC series sales

2006 Sales of Generer-1300

2010 Sale of Generer-2350

2011 RPD series sales

2013 Established KITO TECHNOLOGY CO., LTD. (Taiwan)

2014 Established Optorun USA, Inc.

NSC-15 sales

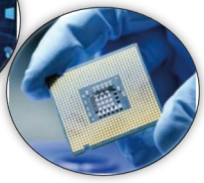
2017 Listed on the First Section of the Tokyo Stock Exchange

2018 Sales of OWLS-1800

2019 ALDER sales

2020 SPOC

2021 Etching equipment



2 Semiconductor/Optical Fusion (=Growth) + 3D (=Differentiation)

OPTORUN

Market

Smart phone

Approximately 1.5 billion units (in 2025)
・Advanced functions (wide-angle lenses, displays, decorations)

AR VR

Approximately 16 trillion yen (2030)
・Popularization of smart glass

Automotive

・Automatic operation
・Sensing

5G

Base station market: Approximately 11 trillion yen (2025)
・5G penetration

Health Care

Diffusion of biosensors

Target device

Optical device

- 3D Lens
- 3D panel
- AR/AG/AS
- Diffraction grating

Optronics

- Mini/Micro LED
- Laser
- RF filter
- Power device
- CMOS Sensor

Biosensor

- Electrochemical sensor electrodes
- Sensor for X-ray detector

Our technology

Thin-film deposition

- Evaporators
- Sputter
- **ALD**

Etching technology

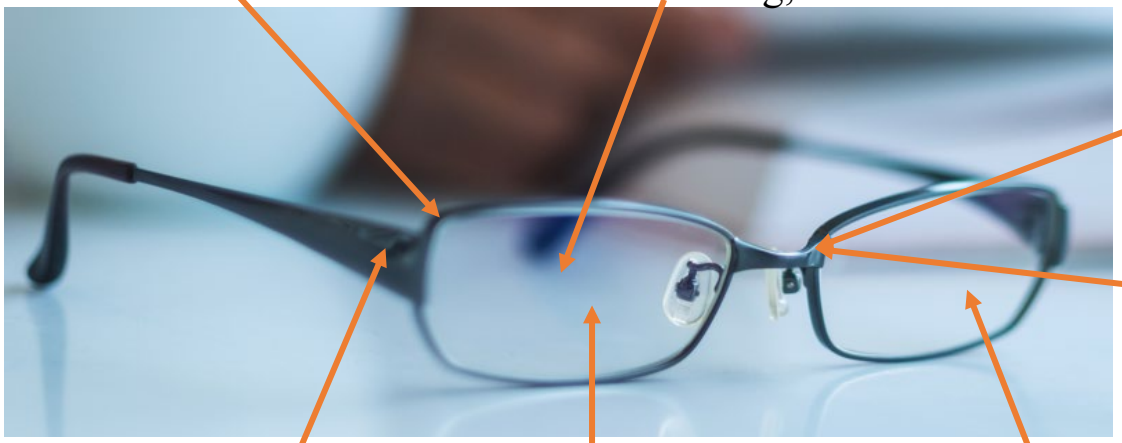
- **Etching**

3D compatible

※Forecasts are based on the Company's research

3-1 Application broadening (AR/MR)

- **AR glass popularity → Major driver of future growth**



Half mirror
Deposition

Wave Guide
Etching, ALD

Ambient light sensor
Evaporator, sputter

3D camera
Sputter

Micro display
(micro and mini LEDs)
Etching, ALD

Lens surface
Evaporator, sputter

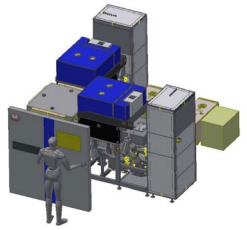
Diffraction grating: etching, ALD

Evaporation deposition equipment

Sputtering device

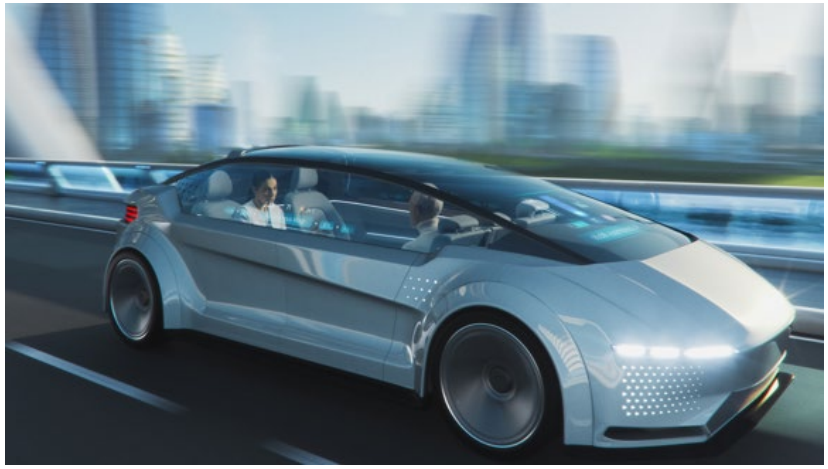
ALD

Etching



3-2 Expansion of applications (Automobile)

- **Automobiles turning to mobile devices → Expansion of thin-film deposition application areas.**



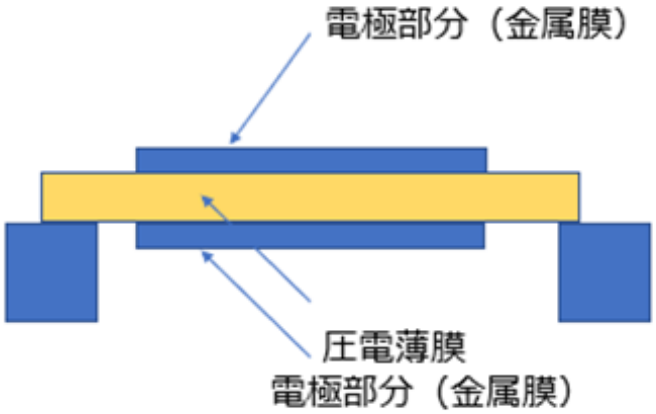
- Use of 3D displays for interior decoration
- Increase in the number of optical components and sensors(3D camera, Lidar, Radar)

Sputtering device

3-3 Extension of applications (5G)

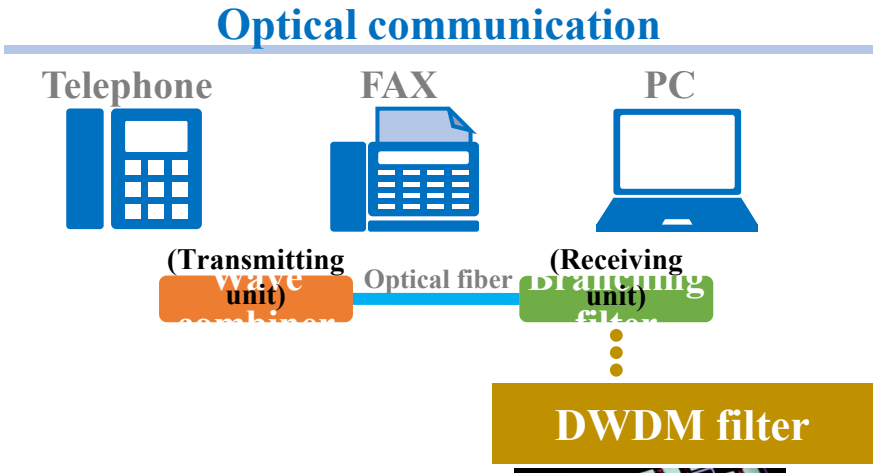
- **Expansion of business opportunities in both terminals and telecom base-stations through the worldwide 5G penetration.**

[Terminal]
Example: BAW filter



Sputter + etch + ALD

[Communication network base station]



Evaporation deposition equipment

The etching and deposition equipment for RF filter devices are under development.

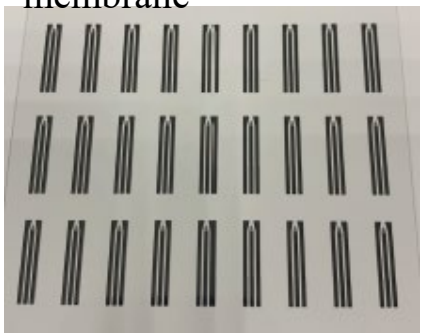
3-4 Extension of applications (biosensors)

- **Contributing to people's health and safety.**

[Biosensor]

Thin Film Bio Sensor

Bio-sensor electrode membrane

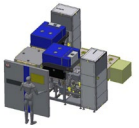


Example: medical, environmental, food
Detection of blood glucose, urine, pesticides, and harmful heavy metals.

Biosensors:
Customers can detect harmful substances at low cost

Accelerate commercialization through joint development with Japanese universities.

4 Our equipment lineup

	(1)OTFC	(2)Gener	(3)SPOC	(4)RPD	(5)NSC	(6)OWLS	(7)ALDER	(8)Etching
								
Film deposition method	Ion beam assisted deposition			Reactive Plasma	Sputtering		ALD Atomic layer deposition	Plasma dry etching
Film-forming surface	Plane surface	Plane surface	Plane surface	Plane surface	Plane surface	Plane surface	Plane surface	Etching surface
	3D curved surface	3D curved surface			3D curved surface	Double-sided 3D curved surface	Full 3D shaped surface	Plane surface
Membrane species	AR AS Wavelength selection filter LPF SPF IR Cut BPF LED DBR Decorative membrane	AR AS Wavelength selection filter Decorative membrane	Supermultilayer film Wavelength selection filter DWDM NBPF CWDM NBPF	LED ITO LED Buffer	Hard AR AS Wavelength selection filter LPF SPF BPF Decorative membrane	Hard AR AS Wavelength selection filter LPF SPF BPF Decorative membrane	AR Protective film	Etching film ・Various types of insulating film Etching (glass, quartz, sapphire, SiO2, SiN, etc.)
Examples of applications	Optical device Smart phone Surveillance camera Automotive Smart Glass (AR/VR) Medical care Smart speaker 3D shape		Optical communication devices	LED Mini / Micro LED	Optical device Smart phone 3D shape Automotive Biosensor	Optical device Semiconductors Both sides of the 3D shape Smart phone Smart watch Biosensor	Optical device Semiconductors Mini/Micro LED Smart phone 3D shape Biosensor	LED Mini / Micro LED AG glass

5 Topics

1. New China-based subsidiary for ALD business to be set up (disclosed on June 23)

- We invested in Afly, a Finnish start-up, 3 years ago, and succeeded in applying and commercializing ALD technology in the field of optics through joint technology development.
- As the operation has evolved from R&D phase into business expansion phase, a new subsidiary based in the main market of China will be established, aiming for full-scale business expansion.

2.Implementation of dry etching equipment for optical devices (June 29)

- In this device, anti-glare machining on the glass surface enables diffuse reflection of incident light and suppresses reflection of light on the glass surface (reduction of glare and suppression of reflection of external light).
- The dry etching technology is also environmentally more friendly as it alleviates problems of wet etching by reducing discharged effluent.
- We are in the process of developing equipment for RF filter devices, etc.
- A web presentation on the new device is scheduled at 10:00 p.m. on Tuesday, August 31.

6 Sustainability Initiatives

We are sincerely addressing the social demands of SDGs and ESGs and reflect them in our business as a company that is trusted by many people. In the future, we will strengthen our governance system and enhance information disclosure in compliance with the revision of the Corporate Governance Code.

Environment

Global environmental conservation

- Active procurement of environmentally conscious parts
- Thorough treatment of industrial wastewater and water conservation
- Thorough exhaust gas treatment and management
- Reduction of waste and promotion of recycling
- Development of products that conserve energy and resources

<Corresponding SDGs item>

Governance

Proper management

- Corporate Governance
- Compliance
- Risk Management

<Corresponding SDGs item>

Society

Technological contributions to enrich lifestyles

[Example of film deposition]

- Biometric identification of smartphones, Protection of touch panel and chassis
- Indispensable for optical communication DWDM filter
- Vehicle's instrumental panel
- Improvement of LED brightness and power saving
- Prevention of reflection of AR/VR devices Protection of the chassis

Technological contributions that contribute to the health and safety of people

[Example of film deposition]

- Including lens filters in surveillance cameras Biometric authentication for security
- Be used in automotive driving technology Devices such as sensors
- X-ray equipment
- Research support and contribution of biosensors

※Joint research with Waseda University

<Corresponding SDGs item>

Corporate revitalization

- Utilization of human resources regardless of gender or nationality
- Global development of a diverse workforce
- Initiatives to improve employee motivation
- Occupational Health and Safety

<Corresponding SDGs item>

Disclaimer, Precautions, and Contact Information

The information contained in this document has been prepared on the basis of generally accepted economic and social conditions as of August 5, 2021, and certain assumptions that we judged to be reasonable. However, the information contained in this document may be changed without 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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