



Optorun Co., Ltd

# Financial Results(2020)

2021.2.15



# Summary of FY2020 Results

1. Financial Highlights (2020)
2. Sales by Business Segment and Region
3. Sales and Operating Income (Quarterly 2020)
4. Orders Received (Quarterly 2020)
5. Quarterly Performance Comparison and Profit Ratio (Quarterly 2020)
6. Consolidated Balance Sheet (2020)
7. Status of CF
8. Forecasts for FY12/21
9. Shareholder Returns
10. Response to the Covid-19 Pandemic
11. Business strategy

# 1 Financial Highlights (2020)

- **Overview:** Made significant progresses in developing new products to meet market needs for more sophisticated coating technology including advanced sputtering coaters and ALD coaters. General order situation for high end coaters were weak due to slow global economy for Covid 19.

- **Performance Highlights:**

(1) Sales outperformed and profit underperformed the FY2020 revised forecasts. CGS-Sales ratio rose slightly due to the impact of the US\$ depreciation against Japanese Yen and RMB. SG&A ratio increased due to increased R&D expenses, sales commissions, etc.

(2) Sales and profit for FY 2020 declined from the previous year.

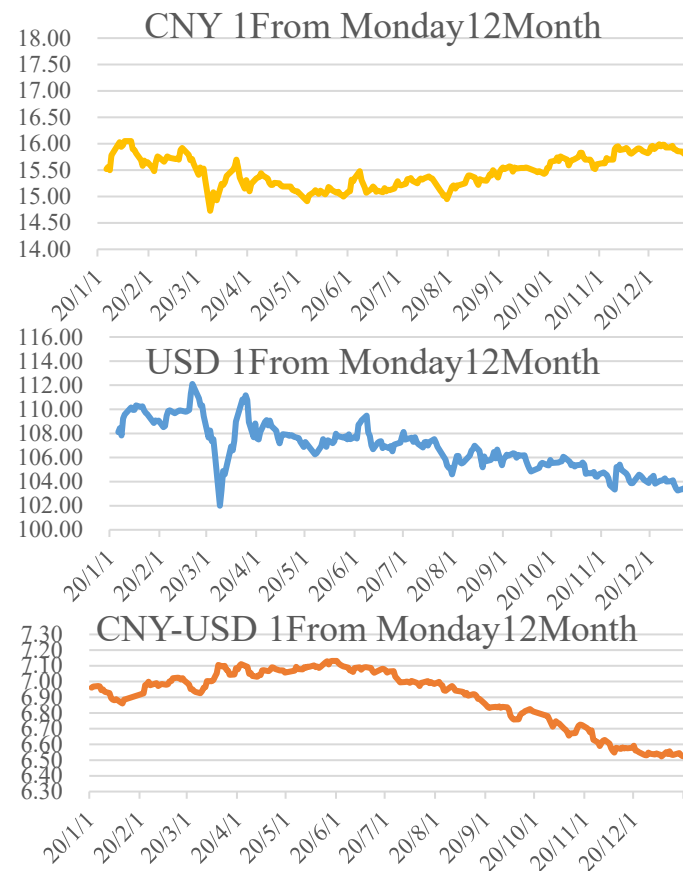
- Decline of sputtering coater sales and US\$ depreciation against Yen and RMB resulted in a higher CGS-Sales ratio.
- Sales of the newly developed coaters exceeded 30% of total revenue.
- Sales and orders with regard to North America smartphone customer were modest in 2020: higher figures are aimed for 2021 and beyond.
- Sales percentage for IoT-and LED related products surged, indicating more diversified application areas for Optron's products.

[Performance Comparison]

(¥100 million)

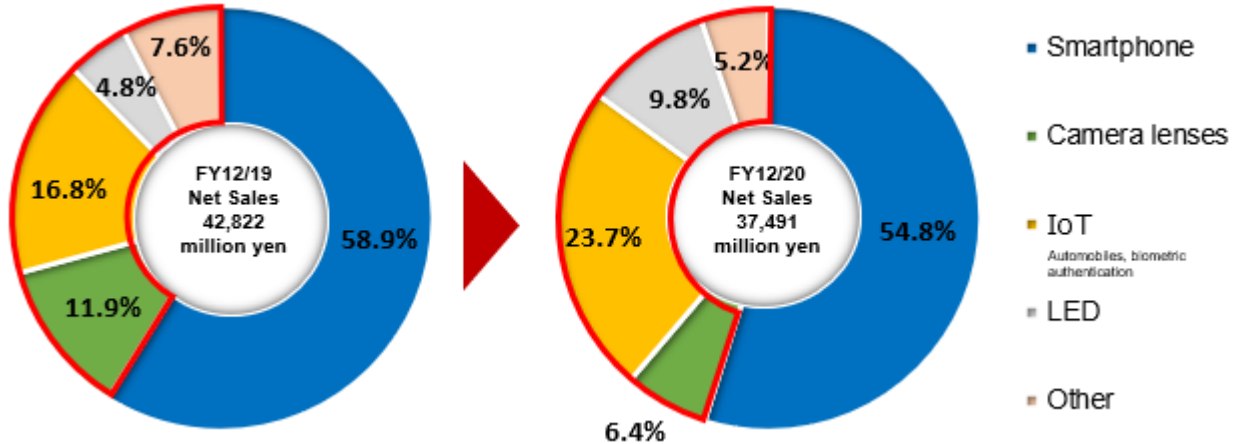
|   | FY2019         | FY2020         | YoY change  | FY2020<br>(Performance<br>Forecast) | Comparison<br>with forecast |
|---|----------------|----------------|-------------|-------------------------------------|-----------------------------|
| Net sales   | 428            | 374            | △12.4%      | 370                                 | 1.3%                        |
| Gross profit<br>(Gross profit Margin)                                     | 176<br>(41.3%) | 146<br>(39.2%) | △17.0%<br>— | 148<br>(40.0%)                      | △0.8%<br>—                  |
| SGA expenses<br>(SGA expenses ratio)                                      | 68<br>(15.9%)  | 60<br>(16.1%)  | △11.2%<br>— | 54<br>(14.6%)                       | 12.1%<br>—                  |
| Operating profit<br>(Operating profit Margin)                             | 108<br>(25.4%) | 86<br>(23.0%)  | △20.7%<br>— | 94<br>(25.4%)                       | △8.2%<br>—                  |
| Ordinary profit<br>(Ordinary Profit Margin)                               | 110<br>(25.8%) | 86<br>(23.0%)  | △21.9%<br>— | 97<br>(26.2%)                       | △11.2%<br>—                 |
| After Tax profit<br>(After Tax profit Margin)                             | 91<br>(21.3%)  | 67<br>(18.1%)  | △25.3%<br>— | 71<br>(19.2%)                       | △4.3%<br>—                  |
| Research and development expenses<br>(Ratio of R&D Expenses to Net Sales) | 31<br>(7.4%)   | 31<br>(8.4%)   | △0.7%<br>—  | 29<br>(7.8%)                        | 8.6%<br>—                   |
| Capital expenditures  | 2              | 7              | 245.1%      | 17                                  | △55.9%                      |
| Orders received   | 360            | 286            | △20.7%      |                                     |                             |
| Order Backlog   | 324            | 235            | △27.4%      |                                     |                             |

[Exchange Rates]

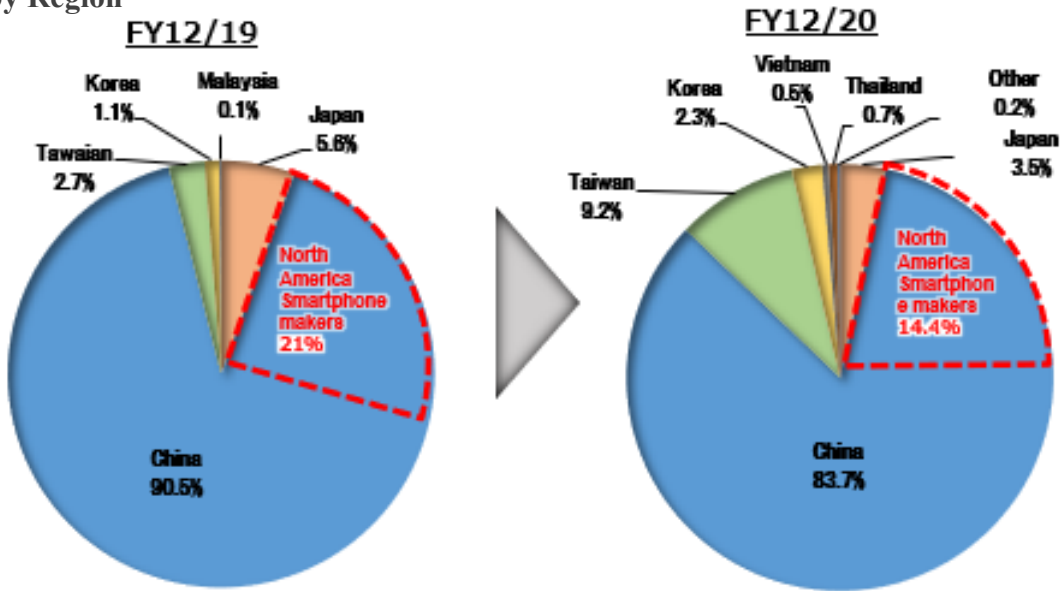


# 2 Sales by Business Segment and Region

Sales by Business Segment

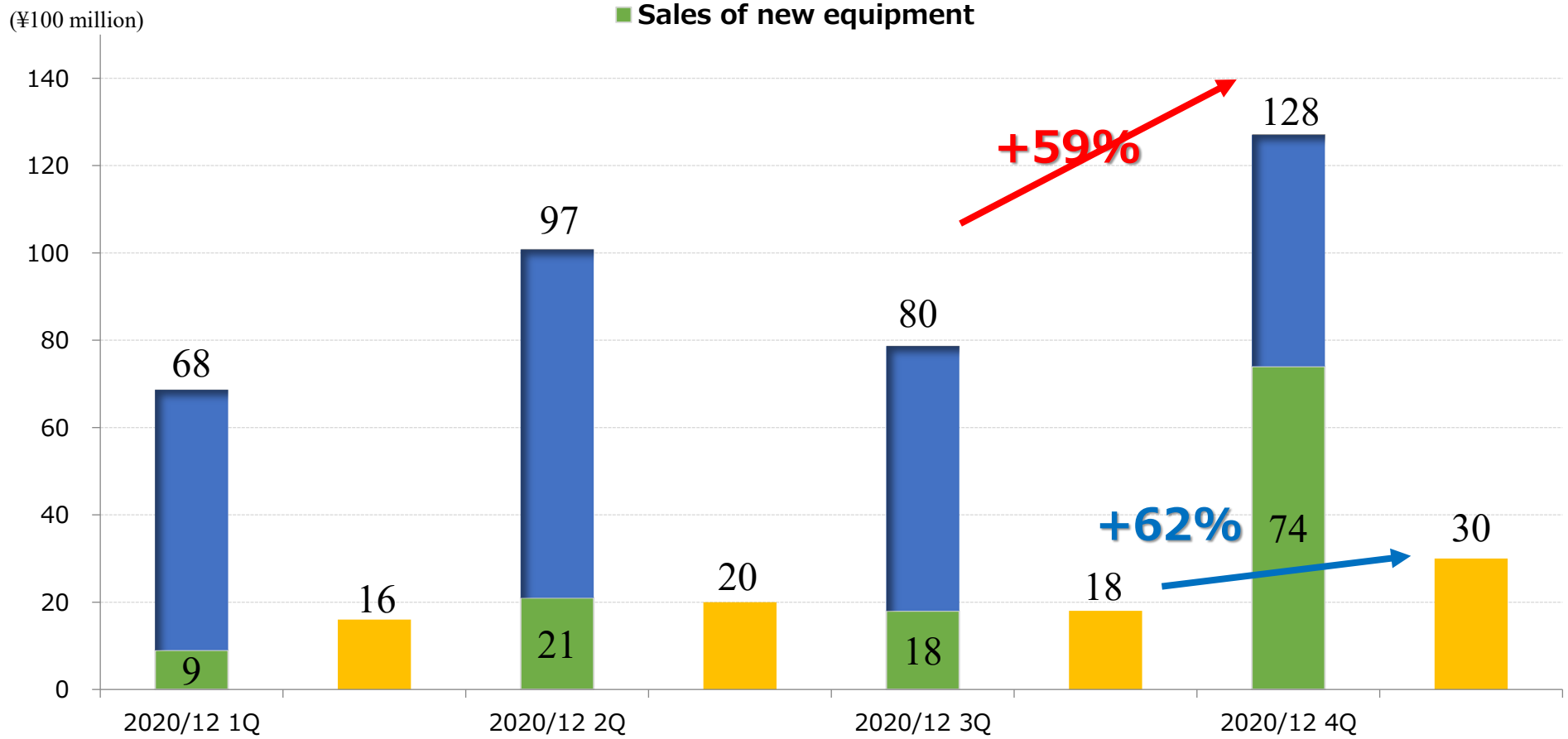


Sales by Region



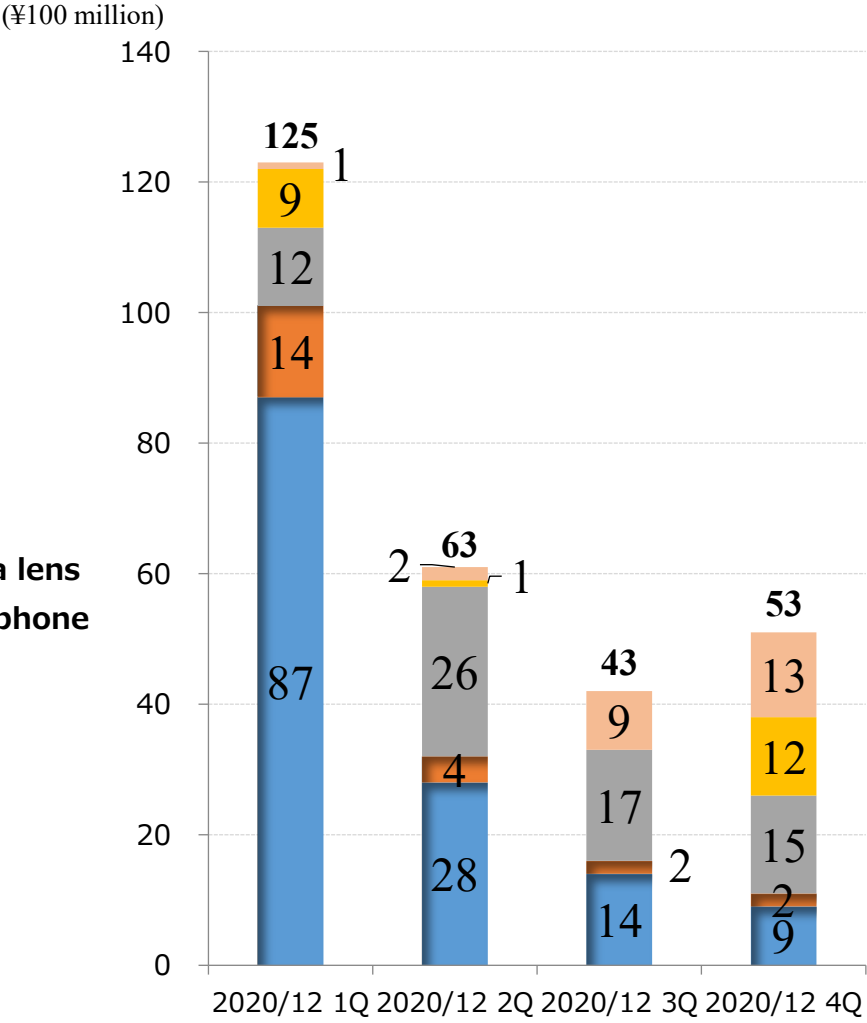
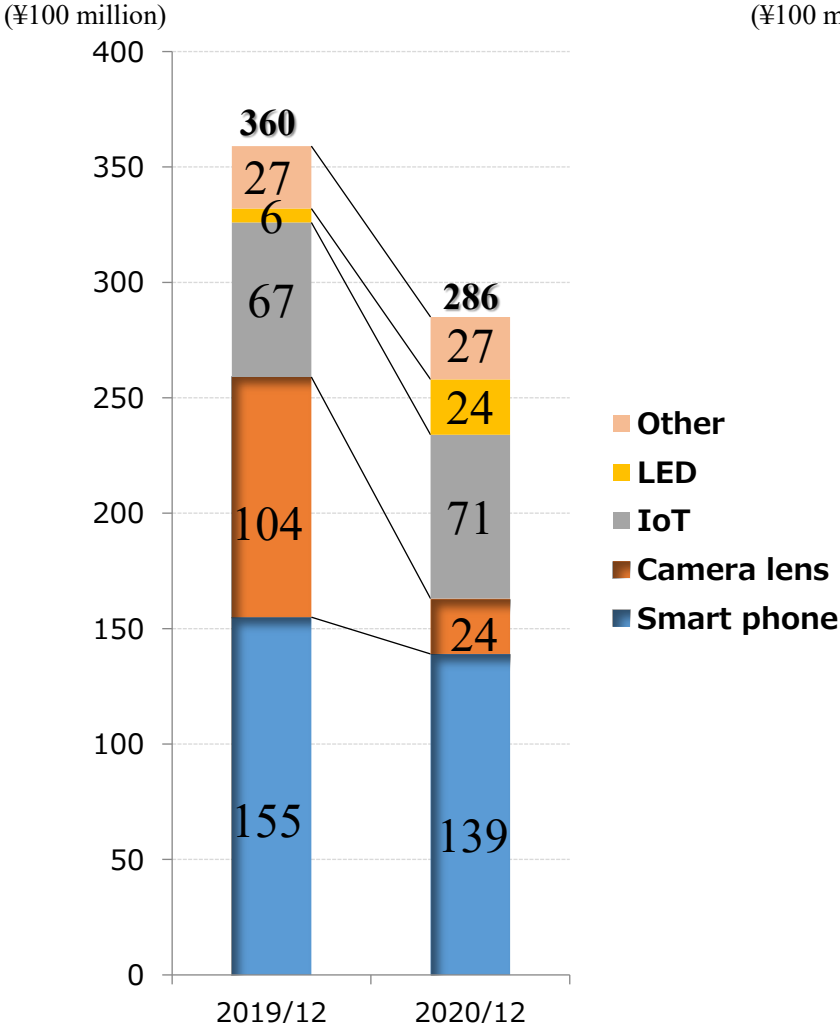
# 3 Sales and Operating Income (Quarterly 2020)

- The 4<sup>th</sup> quarter sales were 59% higher than the 3<sup>rd</sup> quarter's: 50% of sales were sputtering coaters and 40% were evaporation coaters.
- Increase in sputtering coaters and decrease in evaporation coaters for the 4<sup>th</sup> quarter.
- The 4<sup>th</sup> quarter operating profit was 62% above the 3<sup>rd</sup> quarter level.
- In the 4<sup>th</sup> quarter, the company focused on increasing orders and sales, achieving notable results.
- Newly developed coater sales consists of 60% of entire sales in the 4<sup>th</sup> quarter and main applications are smartphones and LEDs.



# 4 Orders Received (Quarterly 2020)

- Orders received in 2020 were down 20.7% from the previous year. 2020 could be considered as the run-up period for newly developed coaters including new sputtering coaters and ALD coaters : full-scale orders are expected in 2021.
- In the 4th quarter, orders for newly developed coaters accounted for more than 30% of the total.
- In addition to smartphones, camera lenses, and LEDs, orders for multiple ALD coaters for smartphones and mini LEDs were received for the first time, and full-fledged orders are expected in 2021.



# 5 Quarterly Performance Comparison and Profit Ratio (Quarterly 2020)



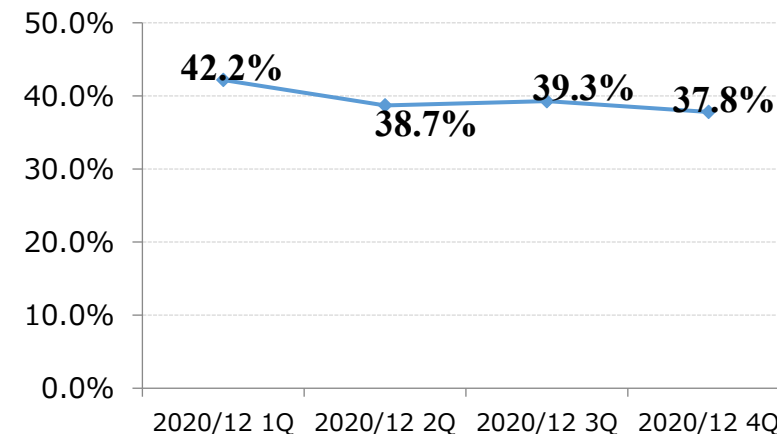
- The gross profit margin for the 4th quarter was 37.8% and the operating profit margin was 24.0%.
- The CGS-Sales ratio surged as a result of the depreciation of the U.S. dollar against Yen and RMB
- Negotiated discounts with coater parts suppliers and reduced man-hours by reviewing coater assembly processes.
- Successful control of SG&A expenses for the entire Group, resulting in a favorable operating profit margin.
- Further cost reduction efforts are ongoing.

[Performance Comparison]

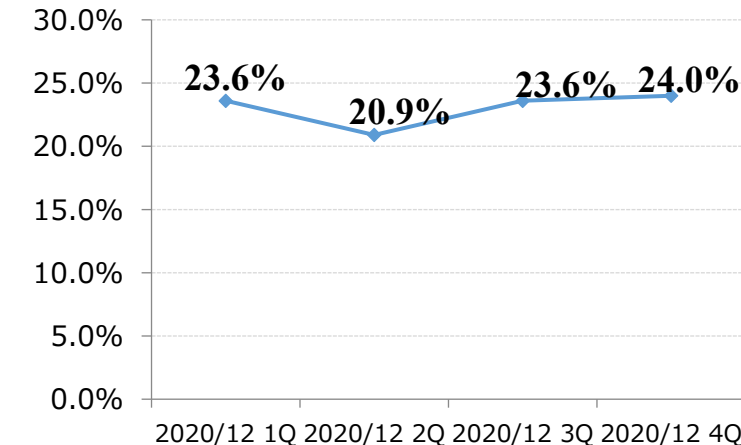
(¥100 million)

|                           | 3Q      | 4Q      | YoY change |
|---------------------------|---------|---------|------------|
| Net sales                 | 80      | 128     | 59.4%      |
| Gross profit              | 31      | 48      | 53.5%      |
| (Gross profit Margin)     | (39.3%) | (37.8%) | —          |
| SGA expenses              | 12      | 17      | 40.8%      |
| (SGA expenses ratio)      | (15.7%) | (13.9%) | —          |
| Operating profit          | 18      | 30      | 62.0%      |
| (Operating profit Margin) | (23.6%) | (24.0%) | —          |
| Ordinary profit           | 16      | 29      | 74.3%      |
| (Ordinary Profit Margin)  | (21.1%) | (23.0%) | —          |
| After Tax profit          | 13      | 25      | 87.3%      |
| (After Tax profit Margin) | (16.9%) | (19.9%) | —          |
| Orders received           | 43      | 53      | 22.9%      |
| Order Backlog             | 310     | 235     | △24.1%     |

[Gross Margin]

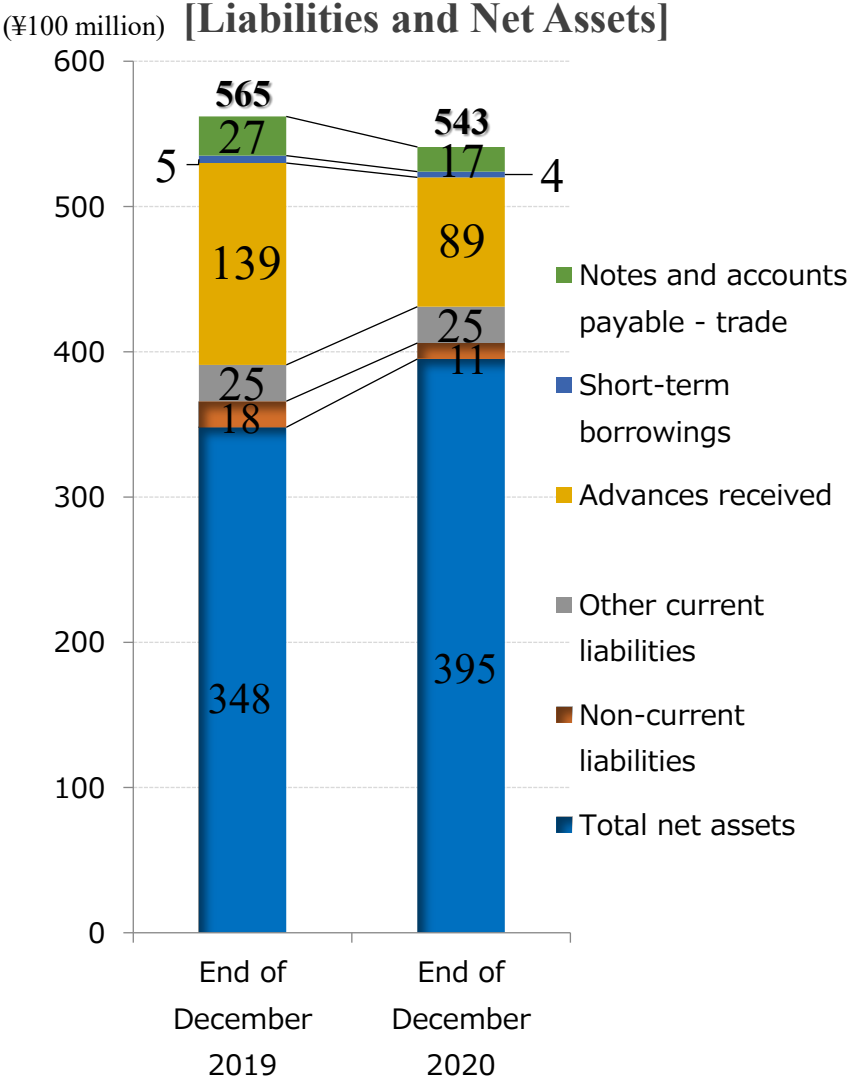
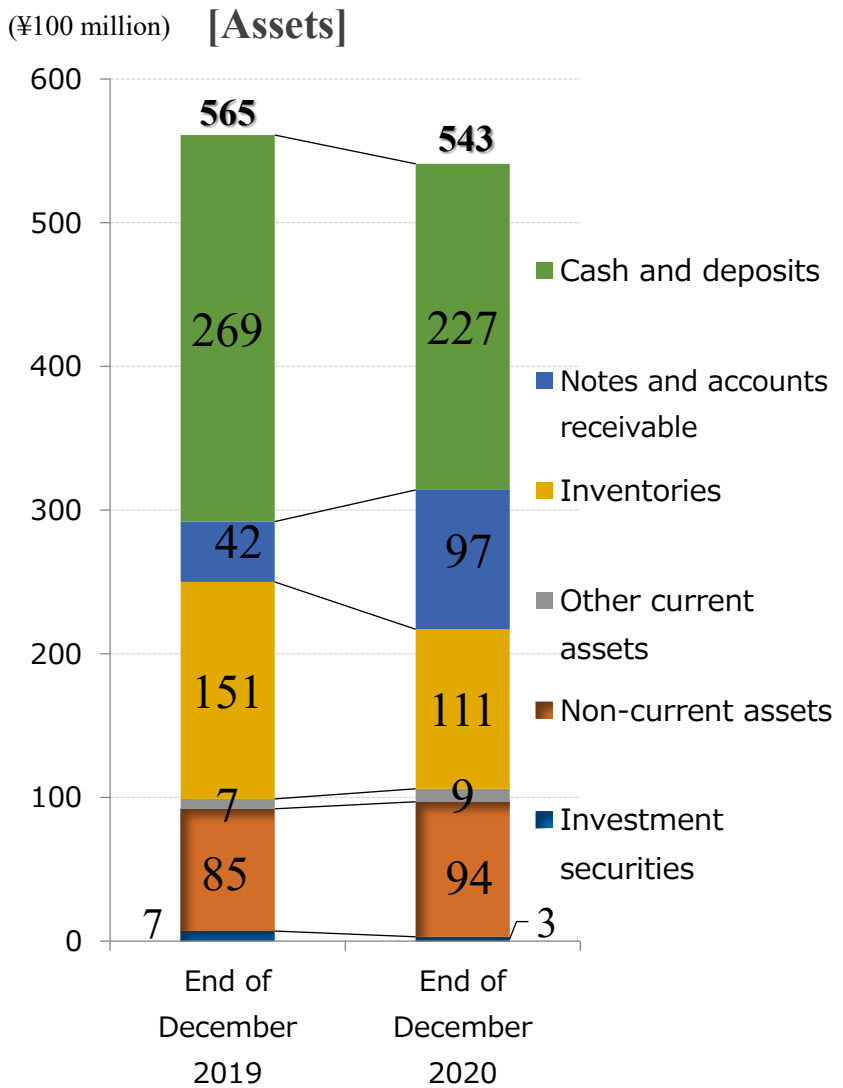


[Operating Profit Ratio]



# 6 Consolidated Balance Sheet (2020)

● Cash and deposits decreased by ¥4.2 billion (due to dividend payments, etc.), advances received decreased by ¥5.0 billion (due to sales recorded), and net assets increased by ¥4.7 billion.





# 7 Status of CF



(¥100 million)

|   | FY2019 | FY2020 |                    | Main reason                                   |
|---|--------|--------|--------------------|---|
|   | Amount | Amount | Increase/dec rease |   |
| CF from sales activities                                | 162    | △5     | △167               | Due to an increase in account receivables     |
| CF from investment activities                           | △24    | △10    | 13                 | From the acquisition of tangible fixed assets |
| CF from financial activities                            | △23    | △24    | △1                 | Due to dividend payment                       |
| Of cash and cash equivalents<br>Translation adjustments | △2     | △1     | 0                  |   |
| Net increase (decrease) in cash<br>and cash equivalents | 112    | △42    | △154               |   |
| Cash and cash equivalents at<br>beginning of year       | 157    | 269    | 112                |   |
| Cash and cash equivalents at<br>end of year             | 269    | 227    | △42                |   |

# 8 Forecasts for FY2021

- **Multifaced R&D activities for new optical thin film + new coating technology such as ALD are beginning to bear fruit.**
- **The orders are gradually picking up, and the application field of advanced coating performance is expected to expand.**
- **We aim to increase both sales and profits by applying new technologies for sputtering and evaporation coaters and completing development of various new coater and equipment types.**

(¥100 million)

|  | FY2020         | FY2021         | YoY change    |
|--|----------------|----------------|---------------|
|  | Actual results | Forecast       |               |
| <b>N e t s a l e s</b>   | <b>374</b>     | <b>381</b>     | <b>+1.6%</b>  |
| <b>O p e r a t i n g P r o f i t</b>                               | <b>86</b>      | <b>90</b>      | <b>+4.3%</b>  |
| <b>(Operating Profit Ratio)</b>                                    | <b>(23.0%)</b> | <b>(23.6%)</b> | <b>—</b>      |
| <b>O r d i n a r y P r o f i t</b>                                 | <b>86</b>      | <b>90</b>      | <b>+4.5%</b>  |
| <b>A f t e r T a x p r o f i t</b>                                 | <b>67</b>      | <b>70</b>      | <b>+3.0%</b>  |
| <b>R e s e a r c h a n d d e v e l o p m e n t e x p e n s e s</b> | <b>31</b>      | <b>31</b>      | <b>+0.8%</b>  |
| <b>C o s t t r a n s f e r</b>                                     | <b>2</b>       | <b>11</b>      | <b>+450%</b>  |
| <b>R e a l R &amp; D e x p e n d i t u r e</b>                     | <b>33</b>      | <b>42</b>      | <b>+27.3%</b> |

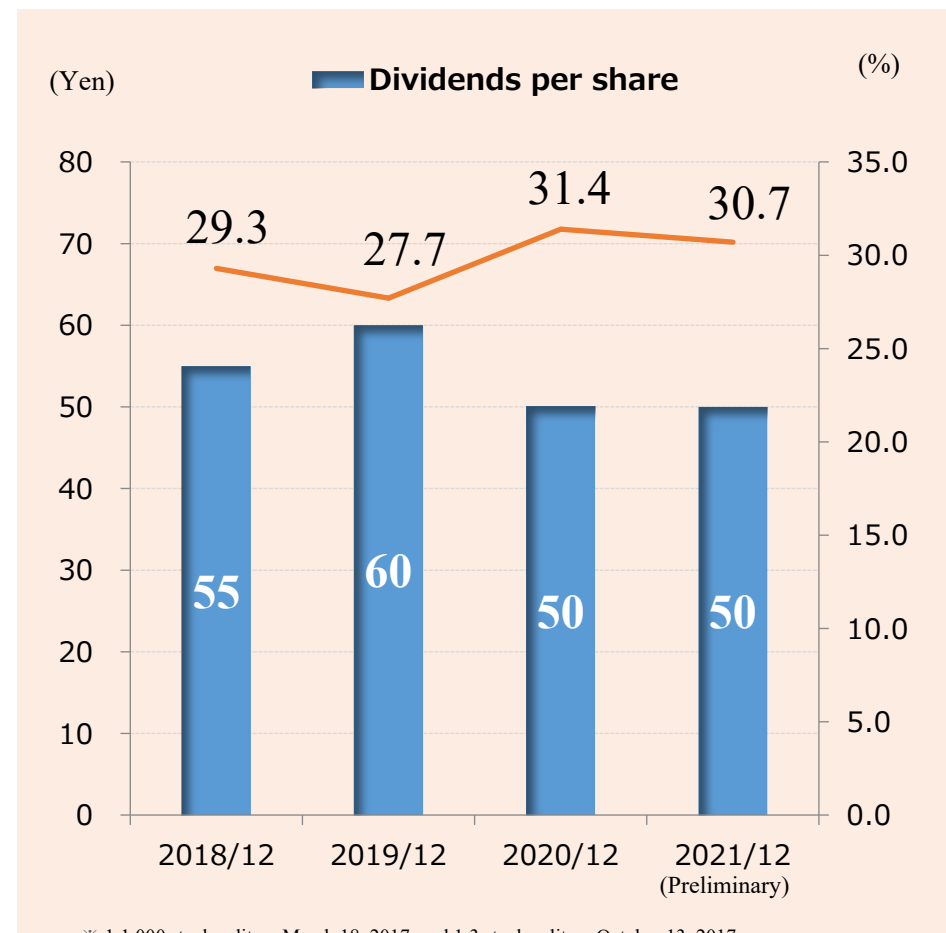
# 9 Shareholder Returns

- FY2020 dividend (¥50), dividend payout ratio (31.4%)
- Dividend forecast for FY2021 (50 yen), dividend payout ratio (30.7%)

## Dividend Policy

While securing necessary internal reserves for R&D, production capability enhancement, and new businesses development activities, we are committed to returning profits to shareholders.

We aim for realizing stable dividends with a dividend payout ratio of about 30%,



※ 1:1,000 stock split on March 18, 2017, and 1:3 stock split on October 13, 2017  
Dividends per share for the period prior to December 2017 reflect the above stock split and are retroactively adjusted

## 1. Basic Policies

- We place top priority on the safety and health of all stakeholders, including Optran Group employees and their families, and implement thorough infection prevention measures.

## 2. Response

- Since the end of last year, in response to the resurgence of Covid-19, we have been thoroughly implementing infection prevention measures (combining telecommuting with staggered work hours, checking body temperature, wearing masks, and limiting domestic and overseas business trips). At present, no cases of employees infected have been reported.
- We are operating our sales and R&D activities close to our customers in a cross-sectional manner in this pandemic situation where business trips are restricted. We are also maintaining agility by temporarily transferring R&D projects between sites to minimize project delays.

**As an industry leader, we explore a new stage of technology development and aim to expand the application of high-grade coating technology.**

- Ensure the new film coating technology developed over the past several years to bear fruit in the form of new orders.
- Strengthen marketing activities for new customers in North America, China, etc. and ensure receiving orders for sputtering and evaporation coater reflecting new film formation technology for high-end smartphones/automobiles/5G/IoT/LED application.
- Roll out ALD coater and other newly developed coaters that represent new stage of technological development to meet considerable market needs.
- Thoroughly manage expenses by reducing parts procurement costs, controlling assembly man-hours, and devising new packaging and shipping methods to maintain profitability.
- Put into practice quality control rules throughout the Group to ensure the quality of the new film-deposition technologies and newly developed coaters.
- Complete the third R&D building on the Shanghai premises and search for new R&D facilities in Japan to enhance the R&D capability of the entire group
- Aim to expand the Group's business scale through M&A and strategic investment and acquire companies with technological synergies to accelerate the technology development.
- Become a "reliable company" that meets social expectation such as ESG/SDGs by way of equipment downsizing and proactive information disclosure/IR PR, etc..

The information contained in this document has been prepared on the basis of generally accepted economic and social conditions as of February 14, 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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